Healthcare providers remain strapped for cash in the current struggling economy yet simultaneously face growing IT demands — prime among them the government’s push for rapid adoption of electronic health record (EHR) technology.

Equipment financing is one powerful and flexible way to solve these divergent realities. By working with an equipment finance partner, eligible providers can acquire their EHR systems now to maximize stimulus reimbursements and grants set aside by the American Recovery and Reinvestment Act of 2009 (ARRA).

For stimulus-eligible healthcare providers, equipment financing provides access to the capital and expertise needed to make wise healthcare IT investments. There are many benefits to financing healthcare equipment that physicians may not be aware of. For example:

- Many equipment finance agreements do not require a down payment, allowing providers to acquire the equipment without an outlay of cash.
- Equipment finance agreements preserve existing credit lines.
- Equipment finance agreements can be set up to accommodate the sometimes-lengthy installation process. In these cases, the IT system vendor receives progress payments at pre-determined milestones as the system is installed, leaving healthcare providers free to use their cash for other business needs.
- Equipment finance agreements can help ease the impact of reimbursement cuts by keeping monthly payments small and spreading them out over the useful life of the system.

AN RX FOR EHR CHALLENGES

Healthcare IT investments hold great promise, but unfortunately that hasn’t translated to full adoption of healthcare IT solutions. In fact, only a small percentage of U.S. hospitals use all of the functionality of EHRs and few are exchanging information outside their walls, according to the Congressional Budget Office. As further evidence of the slow pace, the healthcare IT equipment market has yet to show an increased demand due to the ARRA stimulus funds, according to the July 2010 Leasing and Finance Index of the Equipment Leasing and Finance Association (ELFA).

That said, healthcare IT adoption — particularly for EHR systems — is expected to rise significantly now that meaningful use rules and certification criteria are finalized, and reimbursements are set to begin flowing in 2011.
There are a variety of equipment finance solutions available so each healthcare provider can find the best fit to achieve financial goals. These include:

- **Tax-Exempt Conduit Lease** — Helps non-profit hospitals avoid the high financing costs associated with traditional tax-exempt bonds, while retaining the flexibility of a lease.
- **Conditional Sale Financing Agreements** — Fast financing and flexible payment schedules for all equipment needs.
- **Loans** — Traditional financing that allows complete control at competitive rates.

**FINANCING TO MAXIMIZE TAX BENEFITS**

Since healthcare providers acquire a mix of equipment and IT solutions, it’s important to know how those acquisitions will affect the provider’s income taxes. The Mid-Quarter Convention is one tax rule with a big impact on those acquiring a lot of depreciable equipment at the end of the year.

If a for-profit healthcare provider acquires more than 40% of its assets during the fourth quarter, it is subject to the tax rule known as the “mid-quarter convention,” which reduces the amount of depreciation the provider can claim on its tax return for all the equipment it acquired during that calendar year.

Most providers plan to avoid the mid-quarter convention by closely managing the amount of assets placed in service during the fourth quarter. However, since certain types of equipment finance agreements (e.g., tax leases) are not included in the 40% calculation, healthcare providers anticipating high levels of fourth-quarter equipment acquisition should talk with their tax advisor about financing these acquisitions with a tax lease.

**FINDING EXPERT EQUIPMENT FINANCE GUIDANCE**

Perhaps the most important step here is seeking the guidance of an experienced and reliable equipment finance partner. When making this choice, consider whether the finance company:

- Understands your practice or health-care organization’s needs.
- Is quick in its credit application approval process.
- Is stable and able to offer expert guidance through economic ups and downs.

In any healthcare IT equipment solution, the value comes from using the technology, not from owning it. In this regard, equipment financing not only reduces the many problems associated with the adoption of new technology but also optimizes the technology procurement process for the best investment results. For busy practitioners, such expertise means there’s one less headache they have to treat.
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