

BUSINESS PLAN – DRAFT V1

for

Purchasing & Assistance Collaborative for Electronic Health Records

Arizona Health Care Cost Containment Services

700 E. Jefferson Street, 4th Floor

Phoenix, AZ 85034

Phone: (602) 417-6909



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EXECUTIVE SUMMARY

PACeHR Business Overview

The *Purchasing & Assistance Collaborative for Electronic Health Records* (PACeHR) is a non-profit corporation dedicated to providing EHR products and services to small and medium-sized healthcare providers as a means to accelerate the adoption of electronic health records (EHRs.) Established in early 2009 with initial capital from Arizona's Medicaid Transformation Grant, PACeHR incorporated as a 501c3 (non-profit) corporation on June 12, 2009.

PACeHR, acting as a broker on behalf of its member subscribers, negotiates group purchases that include discounts and other incentives to make EHR-related software, hardware, training, and services affordable and predictable. Through the American Reinvestment and Recovery Act (ARRA) of 2009, significant Federal funding has been committed to assist health care providers that adopt and achieve meaningful use of EHRs.. PACeHR is uniquely positioned to optimize the direct and indirect funding available to Arizona for ambulatory EHR adoption.

Success Factors

The desire to collaboratively foster EHR adoption in Arizona is not new. As early as ten years ago, small groups of forward-thinking providers, employers and health plans have piloted various EMR adoption efforts, in the "pay for use" precursor to "pay for performance." Most recently, the Arizona Health e Connection board of directors obtained a favorable legal opinion regarding their collective ability to create a joint incentive pool for this purpose. So it is upon this rich foundation of collaboration and innovation that PACeHR was born.

The vision and support of AHCCCS Director Anthony Rodgers gave substance last year to PACeHR's predecessor, the Arizona EHR Collaborative Purchasing Program (CPP.) The CPP, informed by three recent local survey efforts* asked Arizona providers to provide feedback on line or faxed feedback regarding interest joining a collaborative purchasing program for a web-based EHR. During the last quarter of 2008, over 300 respondents representing more than 1,100 providers from throughout Arizona told us that a CPP would be valuable, especially if it was payor neutral (not just Medicaid.)

Success might also be gauged by reflecting on the in-kind contributions received to date from the physicians, allied health providers, IT, business and legal professionals who have volunteered as members of PACeHR's Evaluation Panel, Board of Directors, and Outreach Partners. External interest is another harbinger of success, and PACeHR has responded to numerous communications from other states interested in the model. At least one state using PACeHR in their state HIT plan. Gartner, the IT consulting firm contracted to provide process and content oversight, issued a white paper inspired by its work with PACeHR. And finally, despite the longer than expected contracting process, we received 10 applications for PACeHR Pilot Practices, and receive daily status inquiries.

Financial Summary

The financial plan for PACeHR includes a “start-up” (September – December 2009, then Fiscal Years 1 and 2.) The PACeHR fiscal year will Start January – December 2010

Labor costs to cover the specialized skill sets required for EHR implementations. Additional start-up costs will provide the hardware and software to properly equip the PACeHR Headquarters with the necessary infrastructure.

Current forecasts demonstrate no need to borrow funds to maintain financial health provided the revenue sources

Success of the organization will be measured by satisfaction of PACeHR membership and achievement of its organizational objectives.

PACeHR Expense Summary

PHASE	Operation Costs
Start Up (September – December 2009)	\$335,250
Year 1 (2010)	\$609,000
Year 2 Projection (2011)	\$2.9M

produce as anticipated. In fact, based on the two-year revenue model, PACeHR will be profitable by 3Q10.

The pending agreement with AHCCCS and PACeHR is for a four-year financial support agreement that would enable AHCCCS to continue to provide knowledgeable staff resources (important from a continuity perspective) while securing Federal EHR adoption support

funding under ARRA. PACeHR will have a set financial obligation to provide 10% of the funds provided by AHCCCS through ARRA funding, which PACeHR will make every effort to secure. It is important to note, however, that additional revenue sources must be approached to decrease the possible reliance on the AHCCCS agreement as that is not to be considered the sole primary revenue source.

PACeHR REVENUE AND EXPENSE PROJECTIONS Years 1 and 2

	Transition Costs	Year 1	Year 2
TOTAL REVENUE	\$ -	\$ 4,758,600	\$ 10,743,000
TOTAL EXPENSE	\$ 335,250	\$ 5,367,593	\$ 7,823,260
Operational Year Surplus/Deficit	\$ (335,250)	\$ (608,993)	\$ 2,919,740

Since the ARRA funds are allocated specifically to assist Medicaid organizations in pursuit of EHR adoption, the AHCCCS / PACeHR agreement will enable both organizations to reach their common goal of statewide adoption and meaningful use of EHRs by Arizona healthcare providers.

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Success of the organization will be measured by satisfaction of PACeHR membership and achievement of its organizational objectives.

COMPANY OVERVIEW

PACeHR is a not-for-profit organization dedicated to providing information and services to Arizona healthcare providers to accelerate the adoption of electronic health record systems (EHRs) through a vendor-broker business model. It was established in March, 2009 with start-up funds from Medicaid Transformation Grants and incorporated in June, 2009 as a 501c3 not-for-profit entity governed by a volunteer board of directors.

PACeHR, acting on behalf of the collaborative membership (participating medical practices, clinics, facilities, and other stakeholders) will facilitate group purchase discounts and integrate other incentive programs to make the software, hardware, training, and other services needed to support EHR system implementation and use more affordable and much more predictable in support of the PACeHR Vision.

PACeHR's VISION is that every Arizona clinician will have access to an affordable, interoperable, CCHIT-certified, web-based electronic health record solution, including support and related products and services.

PACeHR will operate as a subscription-based model that is enhanced by ARRA grants, in-kind contributions, & private funding sources (includes non-Federal grants).

MISSION STATEMENT

PACeHR will foster adoption and information sharing by leveraging web-based technologies, economies of scale, aligned metrics, and strategic partnering to improve quality, safety and efficiency while promoting a community of information sharing *through the use of health information technology & electronic access to data.*

The organization will *facilitate the due diligence required to select technology & service providers through a research and analysis process that is typically unachievable* by the small to medium size practices.

COMPANY GOALS AND OBJECTIVES:

To create rapid EHR adoption at an affordable price requires PACeHR to ensure the adoption supports the need for practices to achieve 'meaningful use' as defined by the Federal government. To the small and medium size practice, these criteria are critical yet difficult to achieve without ongoing support and guidance. PACeHR is an effective solution to 'how' practices can reach this goal. PACeHR as an organization has the following goals:

Goals:

1. Establish governance and business operations for the enterprise.
2. Workgroups are operational and have established goals.
3. Support service companies and service packages are established and used.
4. PACeHR will be self-sustaining financially by 4Q10.

5. Fully hosted EHR products for primary and specialty care, rural and small hospitals, behavior health, long term care, rural public health clinics, and correctional health are available PACeHR products.
6. Increase educational information available on EHRs
7. Enabled data access and sharing with external entities.

Objectives

Year 1

1. Secure commitments for EHRs from 200 primary care, OBGYN, internal medicine, and / or pediatric practices by 2Q10.
2. Complete implementation of the Pilot Program.
3. Enable 300 practices to implement at least a stand-alone E-Prescribing module by 4Q09.
4. Enable 50% of the providers using the PACeHR EHR for more than six months to reach at least half of the Federal meaningful use criteria (provided this is established by 1Q10).
5. Achieve participation in quarterly PACeHR User Groups of 50% of the PACeHR practices.
6. Staff workgroups with volunteers from PACeHR partners and stakeholders.

Year 2

1. Secure commitments for EHRs from an additional 500 primary care, OBGYN, internal medicine, and pediatric practices in 2011.
2. Complete implementation of the Early Adopter Program and being the Full Rollout Program.
3. Achieve a PACeHR EHR practice retention rate at the 14-month implementation mark (two months of pre-implementation and 12 months of use) of 95%.
4. Enable 80% of the practices that implemented a PACeHR EHR in 2009 to achieve 'meaningful' use by 2Q10 as defined by the Federal Government.
5. Share EHR resources / tools / knowledge through participation in quarterly PACeHR User Groups of 50% of the PACeHR practices.
6. Increase understanding of the value of EHRs through online provider education tools accessed by 300 more providers.
7. Provide five standard report shells that meet Federal reporting requirements.

Year 3

1. Implement EHRs in an additional 400 primary care, OBGYN, internal medicine, and pediatric practices by 2012.
2. Achieve a PACeHR EHR practice retention rate at the 14-month implementation (two months of pre-implementation and 12 months of use) mark of 95%.
3. Enable 80% of the practices that implemented a PACeHR EHR by 2Q10 to achieve 'meaningful' use as defined by the Federal Government by 4Q12.
4. Support the PACeHR providers to secure the appropriate Federal incentive funds for their use of their PACeHR EHR.

The PACeHR business model is designed as one central organization through which all information and services will be facilitated. However, satellite facilities (at-home contractors or extension centers) may be required to more fully meet the needs of the practices located in the far-reaching sections of Arizona.

Value Proposition

Small provider practices lack the time and resources to complete a thorough requirements analysis and due diligence on EHR companies. A poor selection or ill-planned implementation results in frustration, reduced

PACeHR Value Proposition

Assist healthcare providers with the acquisition of affordable EHR systems and provide user support services that enable providers to achieve meaningful use of EHRs in their practices, health facilities, and MCOs to improve quality, patient safety, and operational efficiency while managing overall healthcare costs.

productivity and in some cases, deinstallation. PACeHR is an advocate for the small practice, but its success imparts benefits to all segments of the healthcare delivery chain.

Business Philosophy

The PACeHR business philosophy is to use our resources, market knowledge, and government experience to maximize the opportunities for our target market to successfully adopt and use an EHR. The

strong network and commitment of support services will set PACeHR apart from other organizations – ***this is the PACeHR brand.***

PACeHR HISTORY

The PACeHR project started October 2008 using Medicaid Transformation Grant and in-kind funding. This support has been used to create the project plan; design the proposal (RFI) for PACeHR's web-based EHR, including evaluation tools and processes; to orchestrate the EHR procurement and vendor selection from 16 proposals using an innovative process with external oversight from Gartner that included 19 volunteer providers and subject matter experts (IT, law and business) and provided opportunity for community participation in the demonstration and selection process. Contract negotiations are in process with PACeHR's inaugural vendors.

Concurrently, PACeHR designed and launched a multi-wave outreach plan coordinated with 30 providers and stakeholder organizations, a website and on-line survey. Criteria, nominations for and identification of practices to be the PACeHR Pilot Sites occurred in summer 2009. Identification of the volunteer coaches for the sites are in process.

The creation, incorporation and formation of the Board of Directors of PACeHR, a non-profit organization that will assist providers with selection, contracting, acquisition, installation and optimization of EHR use was accomplished during summer 2009. Capital for the non-profit includes Transformation Grant, private financing, in-kind, and 90/10 federal match; and revenues from monthly subscription fees.

PACeHR ACCOMPLISHMENTS

- Outreach and Market Research
- Procurement
- Evaluation panel and Demonstrations
- Incorporated 501c3 organization
- Established board of directors.

At least fifty percent of EMR installations failures are attributable to poor planning and post implementation support. ***PACeHR EHR practices receive the support services needed to ensure success. Customer service will position PACeHR as the organization that increases the success rate of EHR implementation and use.***

- Secured seed capitol

The core agency competencies are facilitation of the procurement, implementation, and support of EHRs in clinical settings and outstanding customer relationship management through coordination of resources, services, and community involvement. PACeHR is uniquely configured to support provider practices to adopt an EHR due to the collaborative approach upon which the organization was founded and is structured.

PACeHR Corporate Headquarters are centrally located in the Tanner Building at 700 E. Jefferson Street, Phoenix, AZ 85034 and is equipped with offices, conference rooms and training facilities required to accommodate the collaborative.

INDUSTRY ANALYSIS

Although electronic medical record products have been available since the late eighties, recent technological innovations, coupled with the increased national attention by the US Government with the 2009 HITECH / ARRA legislation, has catapulted EHR systems within reach of small medical practices. Its rapid emergence has quickly exploded the EHR industry, which is now a multi-billion dollar industry *just for the EHR software alone* – with an estimated range of \$500 Million - \$2 Billion annually. These estimates do NOT include any of the ancillary supports that are needed for full operations!

The EHR market is quite fragmented as there are hundreds of EHR companies even though the majority of them are small, privately held technology companies. This is a concern for the small private practice trying to secure an EHR vendor on their own since they don't have the resources to do the due diligence to fully evaluate products or the companies. Factor in the need to assess the chances of a take-over or consolidation (which should be expected at this stage of the industry as this market continues to evolve) and the information needed to make a sound business decision can become overwhelming.

There are niche companies focused on specific markets such as long-term care facilities and sub-specialty practices. These companies will become increasingly attractive as take-over candidates as the demand for specialized EHRs increases. Consequently, this market needs a resource that can simplify the options and the decision-making process.

Market Landscape

National data from the New England Journal of Medicine indicates small and medium size practice offices are the most in need of EHRs based on the percentage of practices that are doing without an EHR today.

Rates of Adoption of Electronic Health Records by Physicians, with Adjustments for the Characteristics of the Physicians and Their Practices¹⁷ Figure 9

No. of physicians in practice	Fully functioning systems	Basic systems	No basic or fully functioning system
1-3	2%	7%	91%
4-5	3%	11%	86%
6-10	6%	17%	77%
11-50	8%	22%	71%
>50	17%	33%	50%

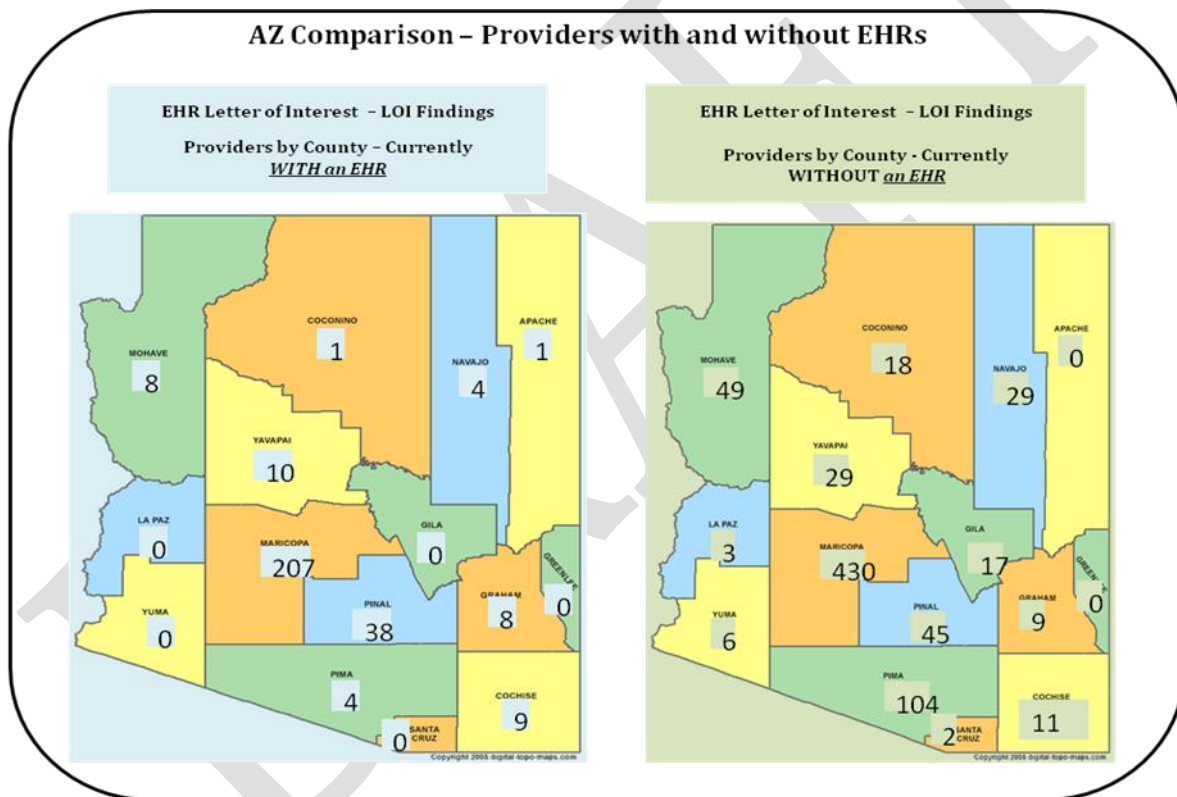
[17] Source: *Electronic Health Records in Ambulatory Care – A National Survey of Physicians*, New England Journal of Medicine July 8, 2008.

The survey defines "fully functioning" electronic health record systems as those that possess functions that fall into four domains: recording patients' clinical and demographic data, viewing and managing results of laboratory tests and imaging, managing order entry (including electronic prescriptions), and supporting clinical decisions (including warnings about drug interactions or contradictions). The principal differences between a fully functional system and a basic system were the absence of certain order-entry capabilities – including electronic prescribing – and clinical-decision support in a basic system.

If we use the above-noted research results that indicates 4% - 9% of practices have an EHR and extrapolate them to Arizona's over 16,000 clinicians (MDs, DOs, NPs, and PAs), the richness of the market is clear. Depending on the definition of primary care applied, 40 to 50% of these clinicians are engaged in the delivery of primary care. This translates to 6,767 clinicians in over 2,000 practices throughout the state without an EHR .

Nearly 7,000 primary care specialists in Arizona do NOT use an EHR.

During the last quarter of 2008, a survey was disseminated through local provider organizations. Over 1,100 Arizona clinicians from more than 300 practices responded by completing (on line of fax) the EHR Collaborative Purchasing Program Letter of Interest (LOI.) The majority of respondents (72%) did not have an EHR, while EHR owners expressed interest based on a less than satisfactory EMR experience, and/or desired access to the other features of PACeHR.



The EHR Collaborative Purchasing Program Letter of Interest responses also indicated that:

- Arizona's small to medium size practices were interested in collaborative EHR system purchasing; and
- Characteristics of such a program need include a solid product that is affordable, has predictable expenses, requires minimal maintenance, and includes performance oversight if web-based.

Electronic health record (EHR) requirements for a state wide system were defined in a request for information (RFI referred to as "roadmap for the industry" by a leading EMR vendor. . Concurrent with finalization of the RFI and its release, the ARRR was signed into law (February 12, 2009.) There was clearly now a need and demand for the creation of a purchasing collaborative for EHR systems.

Prior Arizona-specific research was conducted in early 2008 - *Arizona Health Information Technologies Environmental Research* funded by the HIEHR Project - used provider focus groups and market and product analysis conducted by external resources. This was supplemented by feedback collected from executive and clinical organization leaders of almost 30 organizations. The results of these efforts became the cornerstone for the PACeHR product design, which mirrors the research results, and the justification to move forward with the PACeHR concept.

From this research, PACeHR also learned that providers want external agencies to provide:

- Subsidized hardware and assistance with training and support
- Technical assistance when evaluating EHRs and on an ongoing basis throughout the EHR lifecycle
- Ease-of-use for the EHR procurement process and from an end-user perspective (if it's not easy to use, it will not be used)
- Seamless interoperability with current EMR systems, practice management systems, and systems used by hospitals, labs, radiology, and long-term care facilities.
- Communication updates about the status of community HIT efforts

The above noted information is the foundational basis of the PACeHR offering.

Market Share

The *primary care practice market potential* for EHRs in Arizona – the 95% of primary care practices without an EHR - is 2,143 practices. If 100% adopted an EHR - is **almost \$40M to an EHR company for one year in the PACeHR program**. This assumes the targeted product and price points for the core PACeHR product (\$500 / month per provider), with an average of three providers per practice, and an average implementation cost of \$8,000 per practice – at 100% saturation.

MARKET POTENTIAL- Primary Care Practices in Arizona

# Primary Care Practices Eligible to Convert	Total Number of Providers	Monthly Fee / Provider	One-Time Set Up Costs / Practice	Offeror Opportunity
2,143	6,429	\$ 500	\$ 8,000	\$ 38M

The market data presented above indicates over 2,100 primary care practices are in the PACeHR targeted market of small to medium size primary care practices. Since 80% of these average just three providers per practice and

are geographically dispersed throughout the state, acceptance will require some time as the smaller practices may be less inclined to adopt due to extremely limited resources. The other critical adoption variable is the volume of rural practices, which have historically had unreliable internet service, which is rapidly becoming a smaller issue. *The supporting data is in the Assumptions noted in the Financial Plan section under Revenue/Projections and in a separate document entitled Best Case Commitment Rates Calculations.xls.)*

Since the Arizona medical landscape is comprised of a large percentage of small practices, extensive market penetration has been slow and somewhat difficult. PACeHR, which is a collaborative effort with extensive community involvement and a pre-qualified EHR vendor(s), will be poised to achieve a major presence in the Arizona EHR market. The following table highlights the market share targets for PACeHR through 2012.

MARKET SHARE TARGETS – August '09 – Dec '12

Number of Practices // % of Market	July '09 – Dec '09	Jan '10 – Dec '10	Jan '11 – Dec '11	Jan '12 – Dec '12
Practices	80	500	530	429
% of Market (rounded)	4%	24%	25%	20%
CUMULATIVE				
Practices	80	580	1,110	1,539
% of Market	4%	28%	53%	73%

Note: The above targets do not account for additional practices or other changes in the volume of practices in Arizona.

Market Trends and Growth Opportunities

Even though the need and benefits of electronic health record systems has received extensive national attention recently, the adoption rate by physicians and hospitals is low. The capture of trends in EHR adoption has also been somewhat restricted due to the wide variance in EHR definitions. However, a recent study released by the CDC National Ambulatory Medical Survey (NAMC) of physician offices indicates an upward – albeit slow - trend in EHR adoption between 2006 and 2008.³

The chart below depicts the study results of 2,700 physicians who participated in this research.

Type of EHR used in a Physician Practice	2006	2007	2008
Physicians offices (basic)*	11%	13%	17%
Physicians offices (full)*	3%	4%	4%

The primary differences between Basic and Full surrounded the availability of clinical decision support tools and order entry management.

This research is important to PACeHR since the PACeHR EHR product will be implemented in phases. Providers will have the option to start with a more basic model and build towards a more robust, or full, system. Whether a practice implements their system in phases or all at once, the more elaborate functionality typically creates the greatest enhancements in workflow and patient care but takes more time to implement. While there are marketing efforts in today’s environment to ‘easily’ implement a basic EHR or just one component (e.g. E-Prescribing), PACeHR will strive to help providers understand that long term, the majority of practices will benefit from implementation of a full EHR, which will include:

EHR COMPONENTS

- Eligibility verification / inquiry	- Clinical decision support
- E-Prescribing & Medication Lists (fill history & Rx history)	- Practice management that may include scheduling, billing
- Health history & Problem lists	- Case management
- Lab tests – orders and results	- Clinical encounter management
- Radiology orders & results & images	- Analytics & Reporting
- Referral & Prior Authorization management	- Preventive care / patient education tracking

Implementation of the full system is also important as it enables access to the next level of functionality, which will truly return the maximum value to a provider – in both the form of better patient care and adherence to meaningful use criteria being established – see the chart below.

ADVANCED EHR COMPONENTS

<ul style="list-style-type: none"> • Capability that allows multiple separate organizations to identify a patient correctly; • Reporting capabilities that allow extraction of data for analysis – custom & standard ad hoc reports; • Ability to provide summaries – Continuity of Care Record (CCR), Continuity of Care Document (CCD), &/or Care Record Summary (CRS).
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This information highlights the wide spectrum of growth opportunities for PACeHR. Just like with any new tool or procedure, there is an initial learning curve for the EHR. As the primary market base becomes skilled in its basic use, and while 100% of the customers will not need or want more (e.g. the advanced product levels), many customers *will* want them. They'll want to capitalize on the superior capabilities for improved patient care and management and will consequently need additional resources and support to help them succeed. Unfortunately, this is where the small and medium size practices can struggle to provide these resources.

Turning these growth opportunities into products is the key to PACeHR success as this is the product development pipeline. As customers migrate to PACeHR, the ongoing, one-on-one spirit of customer service approach will retain customers and encourage their use of the system. As these customers become more sophisticated, it will create opportunity for PACeHR to grow market share through customer retention by offering the next level of training / application of the system. This will be further enhanced / encouraged by the recent federal legislation and activities that are building tremendous market pressure to implement EHRs across the medical communities. The PACeHR business model will position the organization to secure additional market share.

While the core EHR system functionality is not new technology, the interfacing to a wide spectrum of other systems has some fairly new components, including the use of the internet for a wide scale application, which has not been tested to the extent that PACeHR will test it. This was evident by the limited number of vendors with a product that closely met the "fully internet based ASP based model" product requirements as presented in the Standardized Inquiry. The availability of more than one vendor, resulting from the PACeHR selection process, will help balance these possible issues.

Why PACeHR

Financing is the single largest hurdle to provider adoption – PACeHR can help identify creative funding solutions to accelerate the adoption process.

Add to the cost challenge the limited base of provider staff with EHR knowledge, the missing skills and resources needed to effectively select and implement an EHR, and the simple lack of understanding of health information technology principals and there will exist a prescription for frustration and failure. Specialty resources available through PACeHR can alleviate those issues.

It all starts with education on the basic health information technology principles, which PACeHR will provide for the EHR novice as well as the more advanced EHR user. Once on board with a solid EHR foundation, providers will need help in the procurement of their EHR system. The research and due diligence required to make an informed and educated decision requires more resources than the average practice has available. ***PACeHR recently completed extensive research and analysis through a procurement process for EHRs on behalf of this market.***

PACeHR will drive EHR inquiries to the website to learn about EHRs, and then about PACeHR. Information / resources available will create an understanding about HIT/EHRs, so the prospects want to learn more and will start seeing PACeHR as a trusted source to help navigate the myriad of solicitations providers are bombarded with every day. PACeHR is a neutral 3rd party guidance center / resource where people can go for straight information. Then when they're comfortable, hopefully they'll see the PACeHR offerings and explore the products and services.

The one-on-one customer support and hands-on guidance through the implementation cycle will help retain customers. Not only will this commitment increase the likelihood of success (e.g. practices will NOT remove the EHR and return to a paper-based system), it will position the practices to continue to progress toward EHR optimization – a necessary achievement to receive Federal ARRA incentive payments. Additionally, PACeHR is an advocate for the provider to accelerate the use and benefits of electronic health record systems.

A huge advantage for providers to become PACeHR subscribers (e.g. to purchase a PACeHR EHR) is the volume and type of benefits members receive, including:

PACeHR MEMBER BENEFITS	
Standard provider contract for low-hassle, web-based EHR systems and services	Contract oversight and ombudsman
Affordable monthly subscription for CCHIT-certified, web-based EHR license and support	User group and peer network
Tiered discounts for part time providers, clinical residents and students	Discounted hardware, software and other support contracts
Interfaces with core services providers	“Self-service” and consultation when you need it
“Meaningful use” warranty	“Automatic” reports and reporting
Pre and Post-implementation assistance	Collaborative measures design, maintenance, reports and streamlined incentive delivery

PACeHR will offer members are the resources to assist with applications for ARRA / HITECH funding. The timing of the ARRA and HITECH Act federal legislation has accelerated the development of PACeHR while further expanding the resources it will need to provide practices.

One of the PACeHR services is the provision of resources to accelerate the process by which providers apply for grant and stimulus fund applications. PACeHR will help determine the funds and incentives a provider is eligible to receive, which will encourage a provider to adopt an EHR. Delays or changes to this legislation could impact the effectiveness of this service offering and may require adjustments as more details on the ARRA and HITECH Acts become available. However, it will not decrease the need for PACeHR but will actually increase its value as the EHR landscape will get trickier to navigate as loss leader products and services may become more prominent.

Market Niche

Most providers purchase EHR systems directly from the vendor, others through a value added reseller (VAR.) Despite efforts to inform practices about EHRs, many practices continue to struggle with their personal value proposition, and to identify a product right for their needs.

PACeHR will provide critical and timely resources to help practices work through these difficult issues. PACeHR provides an array of extra and more in-depth products and services required to successfully select, implement, maintain, and use an EHR to its capacity. The breadth and quality of such support is generally not available to small clinical practices. ***Clinicians will feel comfortable making purchases through PACeHR because it will provide these valued resources.***

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CUSTOMER ANALYSIS

While the breadth of products and services offered by PACeHR will appeal to a wide spectrum of customers, its primary customer is the provider in the small or medium size primary care practice. As national efforts to promote EHR adoption continue, PACeHR will expand to other environments and types of customers. While the basic goals will remain consistent across customer types, the product(s) they need to achieve those goals may differ. The system required by each practice will have differences that may require additional EHR products or components not available today, or they may require specialized knowledge to properly meet the unique needs of various customer types.

CORE CUSTOMERS

The backbone of PACeHR is the small to medium size provider office with a family practice, OBGYN, pediatrics, or internal medicine focus located within the State of Arizona. Ideally these practices will have a majority percentage of AHCCCS patients although this is not required (except for the initial pilot program). As the PACeHR organization matures and the product line expands, the PACeHR customer base will branch out to include the following customers / market segments:

- **Small to medium size practices** in the same specialties noted above, independent of their volume of AHCCCS patients, and other practices independent of specialty type or AHCCCS patient volume.
- **Clinics** – community health centers, rural and small hospitals and public health clinics, and hospital outpatient clinics
- **Long term care facilities** – nursing homes
- **State agencies**
- **Health Plans**
- **Correctional health facilities**
- **Other institutions** (for data sharing / access)

Customers have been segmented into tiers or groups of customers based on when PACeHR expects to have products and services designed for them. Tier 1 customers are those who can benefit from the initial product line and will be appropriate for PACeHR in the first year of operations. The product line will expand to include products designed for Tier 2 customers late in 4Q10. Product development for subsequent tiers will be addressed later in year two of operations.

The following Customer Demographic Profile table lists PACeHR customer types, the targeted tier, and basic characteristics of each customer type.

CUSTOMER DEMOGRAPHIC PROFILES

CUSTOMER TYPE	TARGET TIER	DEMOGRAPHIC INFORMATION
Providers in small and medium-sized primary and specialty care	Tier 1	Pilot: Practices that meet pilot criteria including readiness for EHR adoption in Fall 2009. Early adopters: Practices that meet early adopter criteria

practices		including readiness for EHR adoption in Winter 2009.
Rural and small hospitals	Tier 2	Hospitals with less than 200 beds and are located in rural Arizona.
Community health centers	Tier 1	Stand-alone clinics that meet readiness criteria
FQHCs	Tier 2	FQHCs not already committed to EHR product
Hospital outpatient clinics	Tier 2	Primary care clinics that may be part of residency training programs and/or indigent clinics
Behavioral health facilities	Tier 2	Behavioral health providers seeking EHR that are members of Arizona Council of Human Service providers or Arizona's Children Association
Long term care facilities	Tier 2	Skilled nursing facilities and other providers of long term care and assisted living
Rural and urban public health clinics	Tier 3	Clinics that provide primary and secondary preventive and screening services
Correctional health facilities*	Tier 2	Facilities responsible for individuals incarcerated in state and county facilities
Patients	Tier 2	Patients cared for in a non-EHR environment
General Public	Tier 3	Health care consumers without specific association to particular providers
Health Plans	Tier 2 Tier 1 adoption assist	Case managers in commercial and public health plans with populations that have high disease rates / populations
Academia / Universities	Tier 2	Organizations interested in wide range of research topics and venues ranging from practice-based networks to population health to bench research
Public Health	Tier 3	Streamlining delivery of information needed for all aspects of biosurveillance, chronic disease monitoring and intervention and population planning

*Possible exception for the Pilot Program – under consideration.

Once prospective customers, or product suppliers, join PACeHR, they will receive a member type designation. While customers can have more than one type of designation, the majority of customers are expected to only have one. The different designation types are noted below:

MEMBER DESIGNATIONS	SUB-DESIGNATIONS
<ul style="list-style-type: none"> ■ Subscriber members – these individuals or health care organizations are active members of the PACeHR organization and have purchased one of two ‘subscriber’ memberships. 	<p>Subscriber Provider – includes all providers who have purchased an EHR system through PACeHR. This includes access to the full gamut of PACeHR products and services. A certain level of services is included with the monthly fees associated with this membership. With this type of membership, a subscriber may elect to upgrade to a premium level service package. This would provide more services than are included with the base package included with their PACeHR EHR purchase.</p> <p>Non-subscriber Provider – includes providers who have not purchased a PACeHR EHR but wants to access the products and services. The package of services to be included / offered will be determined.</p>
<ul style="list-style-type: none"> ● Healthcare affiliates – these are hospitals, health care entities that provide health care services and may want access to an EHR system or the other support services available. Like with the Subscriber Membership, the service package(s) that would be available for purchase will be determined in fall, 2009. 	
<ul style="list-style-type: none"> ● Professional organizations - may be professional, education, scientific, industry, or charitable associations. This group of professionals may elect to purchase an EHR or other data-related services once those become available. These same organizations may share their EHR-related tools (e.g. workflow analysis templates) and web content (EHR education) with PACeHR members in an effort to expand their membership. 	
<ul style="list-style-type: none"> ● Service partners – are organizations or companies that provide EHR support services to PACeHR and its members. Companies that become true partners with PACeHR will not be subjected to the fees associated with this type of membership. Companies that are simply listed as a preferred service partner will be subject to a fee per the fee structure defined in the Pricing Section of this document. 	

Customer Needs

Small and medium-size practices need trustworthy resources to aid in the selection, implementation, and management of an EHR. While many practices still remain hesitant to fully believe the potential benefits, providers are realizing EHR adoption may not be a choice for much longer. Federal incentives through ARRA are designed to encourage adoption sooner rather than later, as early adopters could receive significant financial incentives while late adopters or non-adopters could face severe penalties. The issue now becomes ‘how’ such a practice finds the resources to complete the appropriate research. Failure to structure the EHR system to meet the ARRA criteria for stimulus funds could cause a practice to essentially be ineligible for reimbursement.

PACeHR can address those issues through the due diligence applied to all potential suppliers to ensure a quality product, and through their support services function.

Additional customer needs are those of the specialized facility or practice that requires functionality not always provided in a standard EHR. Representatives from these market tiers have already contacted PACeHR (frequently) to request the specialty modules / systems designed for their unique needs. While the initial product offering will be geared to meet the needs of the Tier 1 customers, increased demand from customers in the remaining tiers could accelerate the product development effort for these customers. Even if the demand remains constant, procurement of EHRs for these markets is on the PACeHR product development plan.

Customer Decision-Making (or Sales Cycle)

Knowing the purchase of an EHR is a tremendous investment, the decision process will require a severe time commitment. However, since the research and due diligence are done on the current PACeHR vendors, the sales cycle is projected to be 2-4 months.

PACeHR will provide prospective customers with summaries of the procurement and due diligence processes applied to the current selected vendors. Information on why these systems were chosen and how they can help the practice will be discussed with the providers. PACeHR will provide materials and information that identify how much the system will cost, payment options (loans, grants, or through ARRA stimulus funds), and how PACeHR will help the provider re-coup the costs of the system by helping apply for the stimulus funds to aid in the purchase and for the back-end incentive payments. PACeHR has the unique advantage of offering more than one system. There will also be access to experienced users of the systems (from the pilot and early adopter programs), plus many other resources.

To provide all of the above information to providers, PACeHR will create tools and materials that can accelerate a provider's understanding of PACeHR and the product line to expedite the decision-making process. This process will be one of the priority processes for development.

DRAFT

COMPETITIVE ANALYSIS

Overview

With the current and growing national awareness and interest in PACeHR, non-PACeHR EHR companies are focusing on the Arizona market. They may be perceived as competition, as below:

- EHR vendors with mature products that meet or approach PACeHR requirements such as the 14 responders to PACeHR's first round, may capitalize on the market as "PACeHR mirrors; "
- "Free" internet based services that are promotional-based, re-sell data, or have a plethora of hidden fees and other expenses;
- Provider or other professional organizations may choose to offer similar programs and products in a non-collaborative fashion.
- Within PACeHR, the offering of more than one EHR solution may be considered competitive.

Core Competition

The **Sam's Club/eClinical Works ASP/Dell hardware Package is slated for Arizona launch** December 2009. It will be under \$25,000 for the first physician, plus ~\$10,000 for each additional physician. After installation and training continuing annual costs for maintenance and support will be ~ \$4,000 to \$6,500 per year. Total retail package is up to **\$45K** to implement with additional per provider fee for ongoing support and maintenance. The package, designed for small groups, will be available only to members through the Sam's Club's Web site (samsclub.com/health). The 200,000 medical providers who are already Sam's Club customers provide direct access to >30% of the national provider market.

Details needed for a direct comparison to PACeHR EHR are not yet available, so based on what is known, the following gaps were identified: how the program will handle health plan eligibility, data conversion, standard and ad hoc reports, customer service, patient portal, and interfaces. The advertised Sam's Club Package includes:

- eClinicalWorks EHR and practice management system with one year of support
- Three Dell desktop computers, one Tablet PC, one fax server, and one laser printer and installation
- SureScripts e-prescribing integration on one year subscription
- Primary care and specialty specific templates with decision support
- Free on-line Web seminars and five days of on-site software training;

Other products, such as GE Centricity, NextGen and AllScripts, whose primary market is larger practices, are offering products with built-in financing and other incentives to appeal to smaller practices. Partnering with a limited number of these companies may be useful.

Competitive Advantages

PACeHR will have robust core EHR products enhanced by ancillary services and products. These services help providers achieve maximum value and meaningful use. From tools that educate staff on how to use their EHR to a reporting infrastructure designed to enable EHR optimization, PACeHR will offer services and expertise **at an affordable rate.**

*Research conducted by Arizona State University with the Arizona Medical Board reveals that **physicians are willing to make an investment in a quality EHR system** if they are confident that it will perform consistently, is interoperable, has reasonable and predictable training and support costs, and can be readily adapted to practice style, environment, and office workflows.*

PACeHR has multiple competitive advantages.

- From its pre-ARRA inception, PACeHR engaged the community and communicated the importance of system oversight and support, thereby securing a potential base of subscribers prior to EHR

system selection.;

- Because clinicians and other community healthcare leaders directly participated in the selection of the initial EHR products, they can attest to PACeHR's detailed analysis and stringent selection process. .
- PACeHR is the only AZ-based purchasing collaborative, and providers are eagerly awaiting EHR options through PACeHR.
- Volume discounts on an array of products and services is a critical differentiator from any other resource on the market
- PACeHR is poised to help the providers interested in ARRA incentives, but are unsure of product and level of effort needed to initiate the process.
- ***PACeHR is flexible, fast, and innovative***

MARKETING PLAN

Primary care in Arizona is delivered primarily through small and medium-sized medical practices that function almost exclusively in the ambulatory environment, and are generally independent from hospitals, and other organizing entities (e.g. IPAs, MSOs.) The PACeHR brand is built around its advocacy and support for small practices, for primary care, for those who wish to deliver coordinated care (medical home) and others that want a voice that influences the local EHR landscape. This approach is proactive, retains customers and builds relationships – critical in a competitive service industry.

Marketing Goals and Objectives

The goal of the marketing strategy is to position PACeHR as the primary resource for EHR products, information, implementation, and support resources for small to medium size provider practices in Arizona. PACeHR will achieve this through the following objectives:

- 1) Creating broad community awareness of the PACeHR EHR products and services portfolio.
- 2) Establishing a brand awareness that is synonymous with a style of service that continually supports providers in their EHR activities.
- 3) Maximizing promotions through a web strategy that will generate more than 50% of EHR product inquiries through the PACeHR website.
- 4) Garnering broad community involvement and support for PACeHR.

PRODUCTS, SERVICES, & PRICING

Overview

PACeHR's core product is an affordable web-based EHR system subscription that includes support, pre and post implementation services. PACeHR will help providers select, implement, and use an EHR effectively. The pricing, stability and dependability enhanced by the other services will distinguish PACeHR from other organizations.

PACeHR PRODUCTS AND SERVICES - Summary

PRODUCTS	SERVICES
EHR system	One-stop subscription
Reporting and Clinical Decision Support	Contract oversight and ombudsman service
Loans, Incentives and Financial Aid	Incentives and Services provisioning
Education and Training Programs	Reports and Measures coordination
Hardware and software programs and discounts	User group and peer support network
Advocacy on issues impacting EHR use (policy, standards, incentives, etc.)	Practice-based research network
Implementation assistance	Directed data delivery

Providers will buy through PACeHR because PACeHR provides the resources needed to ensure the EHR is right for them.

Products - Detail

PACeHR products include the following:

1. **PACeHR EHR Systems** include a limited number of web-based products that have undergone PACeHR's rigorous evaluation and contracting processes. Performance is monitored actively by PACeHR staff and it's **Contracts Oversight Workgroup**. The products offered through PACeHR include :
 - a. Affordable monthly subscription to CCHIT certified, web-based EHR
 - b. Standard contract including tiered arrangements for part time providers and students
 - c. Interfaces with core services providers
 - d. Planning, selection, set-up, training, and implementation aid
 - e. Facilitated user forum and peer assist program
 - f. Discounted hardware, software and other related products and services
 - g. Fiscal intermediary services that includes PACeHR-coordinated billing and payment of EHR vendor services, including collections

2. **Reporting and Clinical Decision Support** – National and local quality, safety, efficiency and regulatory reports will be identified and/or collaboratively developed. The EHR vendor will modify (as needed) existing reports and make available to PACeHR and subscribers the tools needed for report self-service. **PACeHR's Reports and Measures Workgroup** will coordinate with other local and national collaborations on measures, reports, and design evaluations based on guidelines and requirements. Mapping of EHR data elements and development of structured data entry guidelines that support reporting and standardized care protocols is included. Oversight of clinical content coordination that maximizes CDS functionality will provide tools, resources, and training on the CDS; oversee development and expansion of EHR clinical content
 - a. **Incentive Reports** – These reports will be designed to position providers for incentive payments from health plans, government agencies, and/or other grant organizations. Includes reports necessary to prove 'meaningful use' for ARRA Stimulus Funds.
 - b. **Performance Reports** – These reports monitor and track the performance of a practice on various levels. They will supplement the standard performance reports available through the EHR system(s).
 - c. **Measures Development** – Measures must be established as well as the design & maintenance of collaborative reports.
 - d. **Federal and State reporting** requirements – Supports adherence to reporting requirements of the government.

1. **Loans, Incentives and Financial Aid**– PACeHR's *Incentives and Services Workgroup* will oversee the development of financial support options that will enable providers to purchase their EHR.
 - a. Create tools to help providers quickly assess their needs / options for funding (how much do I need and how much can I qualify)

- b. Identify ways to accelerate the funding application process, e.g. quick access to pre-identified funding resources by need, practice type, population, etc. or resource (ARRA, grants, loans)
 - c. Provide resources (staff, tools, templates) to help providers complete the applications (application completion workshops or training classes) to expedite and enhance their application for funds
 - i. Direct practices to funding sources – SBA and other loan programs
 - ii. Provide advocacy services to support applications
 - iii. Monitor & track inquiries, applications
 - d. Secure agreements with at least one financial institution to arrange for small business loans or other financing for the EHR purchase. Negotiate a special EHR loan program with a local financial institution that may include incentives, loan forgiveness, options offered by collaborating organizations.
2. **Training programs** – Enable PACeHR providers to quickly understand the PACeHR program and their EHR. Training will be available through a variety of easily accessible media.
- a. Online, on-demand short classes (and others as needed) that introduce basic computer skills, EHR software components, hardware, benefits and challenges, needs assessment and readiness evaluation
 - b. EHRs and connecting to the benefits (Medicare, Medicaid, and other incentives, metrics and submitting the reports)
 - c. EHR-specific training, refreshers and networking
3. **Directed Data Delivery** through Data Access Agreements will be coordinated through the **Reports and Measures Workgroup**. Efficient and consistent electronic access to information on critical health and population data will be made available through an agreement with the EHR vendor. PACeHR would facilitate the contractual agreements, but not handle PHI processing.
- a. A data access agreement between PACeHR and AHCCCS will allow AHCCCS to get data from the EHR vendor for reporting purposes (e.g. EPSDT reports). This requires interfacing the Vendor with AHCCCS and would be for AHCCCS-specific data.
 - b. A data access agreement between PACeHR and each health plan would enable the health plans to receive data on their members for case management, quality assurance audits, and on their providers for performance incentives and quality control / management. This is health plan specific data that would flow from the EHR vendor(s) directly to the health plan.
 - c. A data access agreement between academic institutions and or public health facilities and PACeHR would enable access to general population health data (de-identified) for population analysis and research. Demographics or other aggregate values will be of interest.

SERVICES - Detail

PACeHR will provide a cadre of services designed to enhance the EHR experience. Each PACeHR subscription includes a pre-determined package of services for a set monthly fee paid to PACeHR. These services, at a high-level, will include generous access to these services (as well as negotiated hourly rate if additional services are desired :)

- 1. **Information Technology (IT) Infrastructure support** – PACeHR staff will include technology experts who can guide providers to the technology and equipment appropriate for their practice needs and their EHR selection. Services not available will be researched and made available through the matching service.

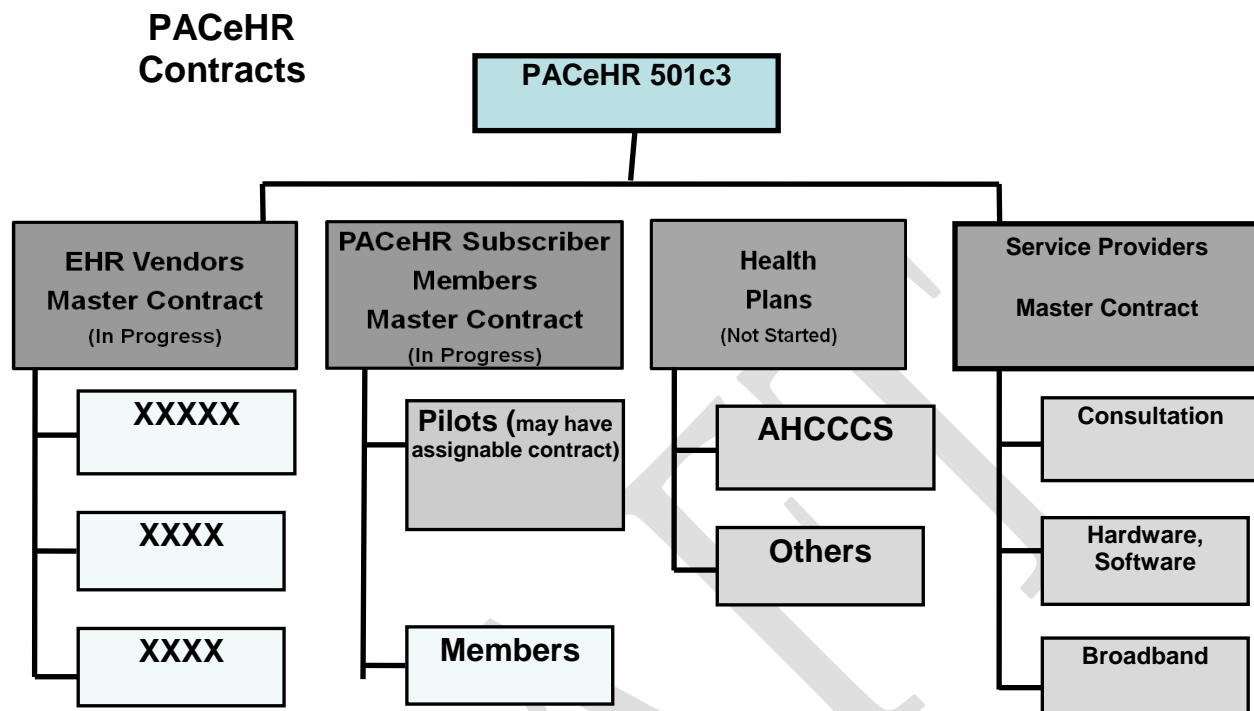
2. **Implementation Assistance** – Manages EHR implementation support services (*'PACeHR Connect'* possible product name for this service).
 - a. Provide one-on-one implementation support as needed by providers throughout the implementation lifecycle.
 - b. Coordinate use of, & referral to, tools / resources available through professional medical organizations and other service providers.
 - c. Provide data on professional medical organizations – their services, contact information, organization profile information, etc. – that support EHR use.

3. **Ombudsman services and User Group** – PACeHR will organize and support this community-based volunteer workgroup of industry experts (supplemented with PACeHR users / members) to create needed user feedback vehicles and processes to ensure that sufficient end-user support mechanisms are available. It will include support groups, peer support and mentoring mentor programs, and user forums to collect, coordinate, and assimilate feedback from PACeHR EHR users back to the vendor(s) or organizing o Lastly, they are responsible for meeting any ombudsman / user group objectives PACeHR adopts.
 - a. Collaborate on EHR best practices & challenges
 - b. Coordinate user feedback to identify EHR user system /support service needs
 - c. Provide additional user support vehicles / mechanisms

4. **Discounted hardware and software and other support** - The collaborative will negotiate volume discounts on technology products most commonly needed by practices to support an EHR system (computers, scanners, printers, etc.). This enables practices to be referred to companies that have arrangements with PACeHR and which can be presented as a reasonable business partner to help reduce costs through group discount negotiations.

5. **Contracts oversight and ombudsman service**– With input from the *Contracts Oversight Workgroup*, PACeHR will negotiate and hold contracts with vendors for products and services offered through the collaborative, including the EHR products. These include the standard agreements and template contracts for the core EHR product and support services.
 - a. Manage, facilitate, and monitor PACeHR contracts as outlined in the diagram below:

PACeHR Contractual Relationships



- b. Monitor adherence to contract requirements and service level agreements (SLAs)
 - i. Oversee user system and interface needs
 - ii. Manage collaborative-sponsored interfaces
 - iii. Manage change requests
 - iv. Prioritize development effort

Contracts Workgroup—will organize and support this community-based volunteer workgroup comprised of industry experts and users to monitor enterprise-level contract processes that ensure vendors adhere to the contract commitments on an enterprise and an individual level.

- 6. **Matching Service for Support Services** - PACeHR will manage a database of suppliers that offer support services. The information will include company profiles and work evaluation results, to be searched when a provider requests a service or product not part of the purchased package or purchased a la carte. These suppliers represent a range of services, including those noted below:

- i. Configuration support , e.g. master tables construction, screen design, system documentation, drop down menus and pick lists, rules logic, clinical protocol construction, knowledge base and other specialized decision support, as approved by PACeHR)
- ii. Data conversion and migration
- iii. Documentation management
- iv. Hardware and network components (computers, scanners, printers, etc.)
- v. Implementation services
- vi. Installation services and management
- vii. Internet providers and network services
- viii. Needs and readiness assessments – workflow analysis, workstation needs

- ix. Project management
- x. System testing
- xi. Training – system, software, computer.
- xii. Web portal – design, construction, content, development and maintenance

7. Monitoring of policy issues that impact EHRs and associated standards

- a. Coordinate issues across providers
- b. Communicate policy changes to providers
- c. Provide a forum for clinicians to develop standards affecting the sharing of data across providers and facilities and other legislation surrounding EHRs.
- d. Guidance on privacy and security issues (e.g. prevention and management of data security breaches)

Incentives & Services workgroup – PACeHR will organize and support this community-based volunteer workgroup of industry experts (supplemented with PACeHR users / members) to monitor and coordinate policy changes that will impact members of the collaborative and will also identify associated issues to take forward for resolution. This workgroup is the ‘how’ the enterprise collectively identifies and voices policy issues and information and is responsible for ensuring appropriate policy communications occur. Lastly, they are responsible for meeting any policy objectives PACeHR adopts.

8. Education – Provides information and learning tools for providers and patients re: EHRs, Health Information Technology (HIT), Personal Health Information (PHI), data security requirements, etc. and associated issues to increase awareness of EHRs to decrease the fear of sharing PHI and to subsequently increase the EHR adoption rate. Targeted users include providers exploring EHRs and patients curious about their PHI.

- a. Training / educational resources on EHRs include basics - system use, clinical / research / disease management applications, etc.; how to maximize EHR use through continual exploration of additional functionality (especially reporting and clinical decision support tools); basic computer operations; and change management.
- b. Referrals to external sources and materials via links / referrals to other websites that provide information on issues tied to EHRs, HIEs, etc.
- c. Patient education, materials, and resources on EHRs / PHI (personal health information) to encourage patients to be less fearful of them if their provider office uses an EHR system.
- d. Mentor / advanced user shadowing programs that pair and expose an EHR novice with an experienced practice during the implementation process.

9. Billing and Financial Intermediary Services – Coordinated billing and payment of PACeHR services across vendors and providers; pre-set financial arrangements. Facilitated vendor contract management re: financial services. These include:

- a. Management of the vendor contracts, provider and other customer agreements, and oversee vendor adherence to Service Level Agreements (SLAs)
- b. Development processes for SLA monitoring to better enable the tracking of adherence to these requirements by each vendor / contractor.
- c. Development data access agreement content/business rules, function, business needs
- d. Negotiated loan program with a financial institution re: loan options for provider practices for EHR purchases.

10. **Loan Program** – PACeHR will arrange with a financial institution(s) for special loans for providers who are not eligible for or do not pursue Federal incentives.

Pricing

Pricing for the EHR product(s) available through PACeHR is designed to enable small practices to handle the initial outlay and ongoing costs of EHR use. PACeHR has performed extensive due diligence on potential vendors to identify the complete cost of the EHR, including “hidden fees and costs”, and negotiate pricing. PACeHR has also negotiated fees for optional services (e.g. data conversion) as separate line items. Our goal is to enable a provider to have a clear understanding of what they will receive and what their financial responsibility will be initially and throughout the life of the contract.

The price point for the PACeHR EHR is competitive, based on the information gathered during the procurement process, however, discount EHR systems offered through mass retailers may be very attractive to providers. While their monthly fees may be similar to the PACeHR fee, the personalized start up assistance, and support services offered by PACeHR are not available through these packages. The literature indicates that support services are a key to productive and satisfied EHR users.

Promotion Plan

PACeHR will be promoted as a provider advocate for EHR purchases, a credible source of general information about EHRs, and a trusted broker for the purchase of affordable EHRs for small and medium-size practices. These efforts will *drive prospective customers to want to learn more about PACeHR.*

Marketing Strategies

PACeHR requires a clear communication strategy to ensure that timely, consistent and accurate information is conveyed.

PACeHR pricing is fixed for up to five years

The over-arching goals are to maximize community involvement through outreach efforts and to keep stakeholders engaged through ongoing communications and involvement (e.g. communication about EHR products, standards, meaningful use, and other relevant developments.)

Providers, local professional organizations, AHCCCS and commercial health plans, universities and training programs, state agencies, stakeholder groups, including services partners, and consumer groups are critical to success. To date, PACeHR has employed an integrated outreach using existing communication networks and venues. The approach is based on based on three main “waves:”

- Wave 1 : Pitching and refining the program and getting measurable feedback
- Wave 2: Collaboratively selecting the product and creating PACeHR the organization responsible for administration and operations;
- Wave 3: Launching inaugural PACeHR products
-

Key differentiator for PACeHR is customer service.
 PACeHR providers know they are not alone.

Program is designed to encourage and enable providers to
 implement their EHR with confidence.

Providers and Professional Organizations	Health plans	Stakeholders (State agencies and private organizations)
PACeHR services partners	Universities and Academia	Consumers (Patients and General Public)

PACeHR will use the following marketing strategies:

- Continue direct provider communication with self-identified interested practices (e.g. prior survey responders);
- PACeHR as a primary resource for information about EHRs and ARRA programs;
- Provider organizations will provide value to their members by connecting them to PACeHR products and services
- Expand web-content and presence. Migrate from azamie.gov to other domains purchased and employ web 2.0 (social networking)
- Educate providers on the value and limitations of the data sharing component so they understand how it will and won't be used.
- Package services into bundles purchased for a specified length of time at a pre-determined rate. This will include the 'base' package that comes with EHR subscription, and additional premium-level packages for providers that want extra support and tailored services at a predictable price.

On-line Market Strategy

PACeHR will migrate from azamie.gov (used for convenience) to PACeHR.org, and will strategically use the other purchased domains to expand and extend its 1.0 and 2.0 web presence:

- PACEHR.ORG
- PACEHR.NET
- AZPACEHR.COM
- AZPACEHR.NET
- AZPACEHR.ORG

Updated content will include:

PACeHR WEBSITE CONTENT

- PACeHR 101– organization, purpose, products and services
- EHR and services packages– who can participate, how, why
- Resources to educate providers and patients on EHRs including links
- Templates and tools and access to answers ‘I need help with...’
- Current collaterals and marketing materials for download or on-line viewing
- Resources/links to everything EHR
- User Group hub
- Web 2.0 tools (introduction and launch access)
- Demonstrations, interactive tools and services “matching”

PACeHR brand , logo and tag line need to part of all marketing and communications materials.

Communication strategy

This is designed to engage the Arizona medical community in PACeHR through consistent communications that create exposure and build support for the collaborative. These communication efforts will include:

- 1:1 interactions with PACeHR staff and medical community leaders;
- Meetings with provider organization and health plan executives;
- Distribution of prepared documents;
- Usage and maintenance of web sites / information produced for web sites;
- Search engine optimization, and
- Facilitation of messages throughout the state through other electronic vehicles (primarily email and professional medical association newsletters and meetings).

A separate Communications Plan document in draft mode contains more detail and is available for review.

Marketing Materials

The marketing materials used to approach the providers in the PACeHR target market will display the value of PACeHR vs. non-PACeHR EHRs and will emphasize the support component of the organization. This is the core value difference PACeHR can bring to the providers – **the commitment to stay and support the provider after implementation** – to avoid that failure point that 50% of the implementations hit. Materials will include:

- **PACeHR Flyer:** Current information at a fairly high-level in bullet format for education at a glance.
- **Fact Sheets:** Presents **the value proposition(s)** to the practice based on how it can help a small to medium size practice navigate the EHR options and secure ARRA and HITECH funding / incentive payments. This needs to position PACeHR as the product of choice.
- **Savings / Cost Analysis:** How external funding can offset the costs; side by side comparisons of different products or of paper vs. electronic, etc.

- **Comparison Tools***: One-page documents that directly compare PACeHR offerings to competitor offerings.
- **Frequently Asked Questions (FAQs)**: Information presented in a question and answer format will be used to inform providers on common issues / questions about the PACeHR program.

Additionally, supplemental program support materials and on-line educational items will be available, including:

- **PowerPoint presentations**: Brief program presentations (two minutes or less) that summarize PACeHR offerings, status, activities, etc. based on the intended audience – could be available for downloads or viewable on-line directly from the PACeHR website.
- **Fact Sheets / Information Resources** – Provides data on relevant topics available **through external organizations** - Communications around provider education should focus on creating communications / tools that enable PACeHR to refer providers to these organizations.
- **Websites** – Sites that offer education and outreach programs re: HIT for providers and patients via Education Toolkits (HISPC) will be woven into the PACeHR website.
- **Calendar press releases**: Simple “who, what, where” format announcing events and/or milestones reached.
- **Articles in Newsletters**: EHR-oriented activities or events that the provider organizations offer to continually educate their members and to encourage EHR maximization. Also could include ways in which they can get involved on the user and/or administrative side(s).

Also, see the Products & Services – Features and Benefits document referenced in the Appendix (it will be an attachment to this document).

Distribution Plan

PACeHR’s plan will employ its demonstrated effective Wave strategy to reach the target market. PACeHR staff, EHR vendor staff, PACeHR constituents, community partners, and outreach efforts will drive potential subscribers to the website. Centralized on-site group information sessions and Web-Ex sessions will be used as well.

PACeHR employees and consultants will be the only authorized sales staff in the Pilot and Early Adopter Program. Sales cannot be processed over the internet but inquiries regarding sales will be received online. EHR vendors will collaboratively work with PACeHR sales. Commission plans tbd.

Sales Strategy & Forecast

PACeHR’s selling strength the strong and continuous customer support of robust products. PACeHR will focus on how the PACeHR products will increase the chances not only of success but of *maximizing the value received through an EHR* and positioning PACeHR as the sure means to achieve meaningful use, including:

- Share clear and timely information on EHRs and on the ARRA stimulus package;
- Work with partner organizations to understand the needs of their members re: EHR support to identify how PACeHR can help them;
- Offer support services packages that include varying levels and types of support services;

- Use the Federal incentives (and disincentives) to encourage EHR subscription and use
- Approach the high-volume Medicaid and Medicare providers to identify barriers to EHR use;
- Connect providers (especially the small practices) to learn more about EHRs and PACeHR
- Engage professional medical organizations and health plan resources to provide support services – especially for their members / providers – throughout the early assessment stages;
- Pair new customers with existing / experienced practices to expose them to actual hands-on involvement with EHR implementations (a mentor program);
- Align implementations by geography, timing, and EHR vendor selection

The combined use of these strategies and the marketing and promotional efforts of PACeHR will enable the PACeHR target markets to first better understand the value of an EHR – critical before they pursue an EHR purchase. Best case scenario is noted below.

PACeHR Commitments	BEST CASE COMMITMENT RATES -						Cumulative #
	First Six Months - July '09 - December '09						
	Target	3Q09	4Q09			Total	80
Commitment Rate	3.75%		Early Adopters				
# Practices to Commit	80	10	70			80	
January '10 - December '10*							
	Target	1Q10	2Q10	3Q10	4Q10	Total	580
Commitment Rate	23.55%						
# Practices to Commit	500	100	125	125	150	500	
January '11 - December '11							
	Target	1Q11	2Q11	3Q11	4Q11	Total	1,110
Commitment Rate	25%						
# Practices to Commit	530	133	133	133	133	530	
January '12 - December '12							
	Target	1Q12	2Q12	3Q12	4Q12	Total	1,539
Commitment Rate	20%						

# Practices to Commit	429	107	107	107	107	429	
CUMULATIVE BY DECEMBER 2012							
# Practices	1,539						
% of Total Targeted Market:	73%						

Note: Conversion is the point in time when a practice turns their EHR to 'go-live' status as typically defined in an EHR implementation (on Day 1 of live use with patients).

Sales, as forecasted above, are driven by the ARRA stimulus package and federal EHR requirements, which call for 90% of eligible providers to have an interoperable EHR by 2012 by the volume of providers within Arizona, and the anticipated capacity of PACeHR. The major risks to this timetable is if implementations exceed the allotted timeframes, and/or if the adoption rate occurs at a slower than project pace. Either or both of these would not just impact the ability for PACeHR to reach its target goals but would negatively affect Arizona's chances to secure federal stimulus dollars to fund EHRs.

Another consideration is the use of sales brokers to promote PACeHR but this has not been explored in any great detail.

OPERATIONS PLAN

PACeHR will create value to its customers by **offering products and services that enable providers to purchase, implement, and use an EHR product.** This includes providing implementation services for the business component of a medical practice, the clinical requirements, and the technology needed to make it all happen. Also included in this section are the overall business milestones PACeHR must attain to become and remain successful.

KEY OPERATIONAL PROCESSES

In order to deliver to customers / members, PACeHR will establish repeatable processes to access and purchase products and services. The core operational processes to be addressed include:

- Manage general inquiries / information requests
- Request to access or purchase PACeHR products or services
- Sales Cycle / Process
- Registration and management of members, EHR vendors, and service providers
- Support services referral process
- Web content development
- Financial procedures
- Customer optimization and retention

Managing Information Requests

While inquiries can be generated from the internet, referrals, or other sources, PACeHR expects the most inquiries to be funneled through the PACeHR website via an on-line Information Request Form that can be used to request information, products, and / or services from PACeHR. (As these information request forms are submitted to PACeHR, they will automatically be logged in a database for future reference and tracking.) Such inquiries will be handled per the following process:

- Inquiries from the PACeHR website can be submitted via a brief electronic Information Request Form that requests PACeHR to either return information via email or by a return phone call. Once the form is completed on-line, the requestor can submit the form electronically through the 'contact PACeHR' function on the site, or they can print and fax it to PACeHR Operations. Requests that are received via fax or through other vehicles will be entered into the database by the PACeHR staff who received the request.
- Staff will be assigned to access the inboxes (and fax machine) and disseminate the inquiries internally for processing. Internal Staff will then assign the request to the appropriate internal or external staff and

track the response(s) as it progresses or is closed out. If it turns into a sales prospect, it will be automatically sent to sales.

If a review of the Information Request Form indicates additional information is needed, staff will contact the requestor to facilitate rapid completion of the request.

Accessing PACeHR Products and Services

While these requests can and will be submitted through the same process highlighted above, since they are more complex, they may require more detailed information from the requestor. When a product inquiry is received, staff will:

- Contact the requestor for the additional information needed, if any, to process their request. Contacts can be via phone or through email.
- Assess the information to quantify the need and to identify how best to address it. Options can include a simple response back to the requestor, a request for further discussions with the requestor, a referral to other PACeHR staff, research the PACeHR resources to generate a list of options from which a provider can make a selection, or make a referral to a PACeHR partner or even to the PACeHR website for tool / information access.
- Staff will follow up after the results are returned to the requestor. If it turns into a sales prospect, it will be automatically sent to sales.

All contacts will be entered and tracked in the contacts database PACeHR will establish. Staff assigned the request will be responsible for database updates until the request is transferred internally. External referrals will still be updated and managed by the PACeHR staff who made the referral.

Sales Cycle / Process

Once customers are engaged in the PACeHR concept / organization, they will request more information from PACeHR, leading to the following, high-level sales process:

- PACeHR will respond to requests for more information / a high-level information re: EHRs, the customer's goals / reasons for inquiring about an EHR – with the goal of creating an understanding of HIT, EHR, PHI, etc. and what it can do for their practice.
- Future discussions will address how to help the practice assess their situation (their readiness to accept and use an EHR), and what PACeHR is /does and how it can help as many providers are not exposed to how an EHR can help their practice become a high performing practice. Misperceptions exist regarding what electronic health record systems are / are not and what's required to implement & manage one successfully.
- Future discussions will expand on the above to personally assess their facility, organization, etc. by an on-site visit and completion of initial assessment forms to help build the EHR case and to identify current issues / challenges;

- Once these hurdles are overcome, PACeHR can identify the best PACeHR offering and build a solution proposal (these tools are yet to be developed);
- PACeHR and the proposed EHR vendor will complete an on-site demonstration;
- PACeHR will provide a cost analysis / value proposition to the provider on how PACeHR can make the EHR purchase happen by identifying funding options;

Within a week of a signed contract, PACeHR and the EHR vendor will begin the pre-implementation process to more fully assess needs, to identify how to set their business strategies (turnover, data conversion, training, testing, system optimization), and to create their implementation schedule, which will start with the PACeHR Orientation Program (to be developed).

Vendor staff will not actively visit the prospect until PACeHR has a recommendation regarding the best EHR solution for a specific practice to prevent loss of solution objectivity in the process. While complete reliance on the EHR vendor staff cannot occur, they will play a critical role in the successful sale. PACeHR will need to develop the appropriate policies that enable PACeHR to:

- Offer the best prices to the target market and not have the selected vendors' individual sales efforts conflict with those of PACeHR;
- Provide fair access / opportunity for each of the selected EHR vendors;
- Meet the needs of PACeHR members.

PACeHR will also need to become sufficiently trained in the sales of the PACeHR EHR vendor products.

Registration and management of members, EHR vendors, and service providers

As operations are established, individuals and/or entities will want to join PACeHR but each designation – subscriber member, health care affiliate, professional organization, and service provider – has requirements that must be met before membership can occur. Listed below are the different membership types and associated definitions. (Registration information follows.)

When a PACeHR EHR system is purchased, a subscriber membership is included so when the Member Services staff enters the purchase information into the PACeHR system, they will automatically register the purchaser as a subscriber member. At this point, registration is complete but not until the necessary payments and information are received, will the membership be activated.

When a provider only wants a non-subscriber membership, they will need to complete the Membership Request Form electronically (and include payment of the small subscription fee), which will automatically update the database once received. Activation is immediate. Confirmation notification will be returned to the requestor.

Registration, whenever it occurs for a member, vendor, or service provider, will involve the collection of specific data elements and payment of associated fees, when applicable. The availability of this information will enable PACeHR to understand who is using their products and services, the sources of those products and services, and to what extent they're being used. It will also enable the customers to access specific PACeHR products and services and will form the basis for managing the PACeHR members, vendors, and service providers – critical as membership expands.

PACeHR will need to identify when membership renewals are due, the status of fee payments, when vendor and service provider contracts expire, etc. This database will also contain information that supports other PACeHR operations and will be used to track results of inquiries and other information necessary to efficiently manage the operations. Noted below is just a small sample of the data that will be captured to register customers.

TYPE OF INFORMATION	DATA ELEMENTS (examples)
Membership	Type of member (subscriber provider, health care affiliate); effective date; membership status; agreement data (type of agreement, effective and expiration dates); etc.
Member, Vendor, Service Provider Contact information	Name, organization, street address, email, etc.
Company profile	Products and services offered; pricing structure; PACeHR effective and expiration dates; fee information.
Products / Services	Purchases, service packages, etc.
Implementation Status	Key implementation dates
Billing Information	Fee status (membership and product), payments, etc.
Set up a PACeHR account	Website access, user group access; include whatever else we want to know about our members.

For EHR vendors, upon completion of the contract, Member Services will enter the data into the database. Once completed, the EHR Vendor information will be maintained along with the other membership information (by Member Services, who will own the data). The volume of EHR vendors will be small, and the type of information to capture is primarily related to the contract agreement, fees and billing exchanges, and general product information so it can be used to support requests for product information.

Even though service providers are more supplier than customer, they are still important to PACeHR since they provide a key service to members. PACeHR, when in receipt of a request for external help, will refer members to PACeHR-certified companies that provide the ancillary services requested. While these same services may also be available through PACeHR, some practices may need / choose to contract these services independently of PACeHR. PACeHR may also sub-contract out some services. Another source for these services is the professional medical associations that are PACeHR partners.

Before being included, the service company must first go through a certification process to confirm they meet PACeHR standards (process TBD). If approved, they will be registered in the database as a PACeHR Certified Vendor for 12 months.

Support Services Referral Process

Initial contact with PACeHR will mostly come through a request form submitted through the PACeHR website or an email (also through the site) per the inquiry processes noted above, or through staff that is supporting the practice. Since PACeHR is the broker of these products and services, once they have received the information to assess the situation, they will track the request through completion to ensure the customer needs were met.

Outside of EHR implementations, the most involved service delivery process will be the referrals of support service companies, which is why this process is highlighted here. Per the process already noted above, a company must first be PACeHR-certified before PACeHR will consider them for a referral. After a year in the system, re-certification is required to remain on the list, which may require a small re-certification fee. Only certified vendors will be eligible for matching to providers requesting such services. Companies that do not pass the certification can re-apply after a designated time period (TBD). Data for the service providers will be much more extensive. Member Services will match provider needs with appropriate companies based on matching criteria (services / product offered, location, cost, etc.) and will:

- Facilitate the discussions to negotiate an agreement,
- Monitor the level of service provided vs. contracted and help resolve / expedite issue resolution
- Track feedback and results
- Build and maintain company profiles for each service provider to be used in subsequent matching efforts (see Kudzu.com profile examples).

Once a contract / agreement is fulfilled, the service company will be evaluated on their performance. Since PACeHR will maintain a company profile on all certified providers, the results of their post-contract evaluation will be recorded in the PACeHR company profile database.

Fees assessed to support service companies will be twofold - a certification fee for the application to initially be certified as a PACeHR Select company, and a 2nd fee when a provider is matched & selected as the service company (a matching service fee). The matching service fee will be a percentage of the agreement award. Certification Application Fees are not refundable even if certification is not achieved.

There is both direct and indirect value returned to the certified support service companies. Certified companies will have an increased opportunity to earn business contracts with clients through inclusion in the matching service. They will also have direct exposure to their target market through the various PACeHR-provided marketing options (event sponsorships such as user group forums, website advertising, newsletter articles / sponsorships, etc.) and decreased advertising costs by not marketing to providers not using or interested in EHRs. This will make their marketing efforts more cost-effective and efficient.

Web content development

PACeHR will contract with a professional web developer to design and build the website. PACeHR staff will outline the core functionality and tools needed. It is critical that the site function as a lead generator and not only as informational. To implement EHRs in the targeted volume of practices as scheduled will require the website to function as the initial educator on what PACeHR does and how to participate. The availability of self-service tools will enhance the information sharing, especially useful in the early stages of EHR system procurement. The intent

is to have basic information available 24/7 in various formats for simple access by interested entities. When an inquirer needs personalized assistance, they can submit an on-line inquiry directly to PACeHR for review and action.

Some examples of the tools and information needed include (not all of these will be available to the general user – some may require a registration of some sort first, or may only be available to sales staff):

- Summaries of the procurement and due diligence processes applied to the current selected vendors;
- Information on why these systems were chosen and how they can help the practice;
- Materials that identify how much the system will cost, payment options (loans, grants, or through ARRA stimulus funds), and how PACeHR will help the provider re-coup the costs of the system by helping apply for the stimulus funds to aid in the purchase and for the back-end incentive payments
- 'What If' tools that allow the user to calculate what achievement targets need to be to receive a certain level of incentive money (this option may be available on a limited basis).
- Providers will have tremendous resources available to help them understand the entire process and commitment required.

Information on how to access experienced users of the systems (from the pilot and early adopter programs) may also be available.

Customer optimization and retention

Since a PACeHR competitive edge is a spirit of customer service, each customer will be assigned a PACeHR point of contact. The type of staff assigned will depend on the customer type and specific customer needs. Appropriate management of this relationship will help ensure customer longevity. For example,

Subscriber Members will be assigned an optimization specialist who will help navigate the system for a direct route to needed solutions. The specialist will regularly contact their customers based on where in the EHR Implementation Cycle they are at any point in time. (PACeHR is establishing requirements for the amount of time to allocate to subscribers based on the package of services purchased.) Once an EHR is implemented, direction and guidance on how to continually take advantage of the tools available to enhance patient care and to meet external reporting requirements is crucial to their continued use.

Results of all encounters with customers will be logged and tracked in the contacts database. As the data elements and other functionality needed are defined, this system may explode into a more sophisticated customer relationship management system. (PACeHR is currently exploring the possible use of a CRM system through one of the PACeHR selected EHR vendors.)

Implementation Strategy

Overview

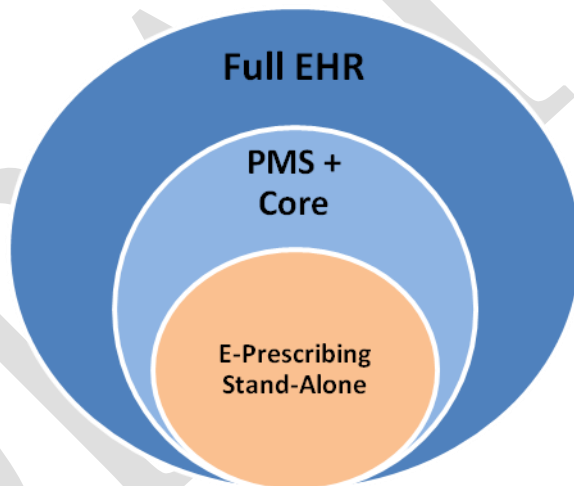
The PACeHR implementation strategy is to roll out the PACeHR product in phases – each with specific guidelines, options, and goals - but all within the PACeHR Implementation Framework. The phases – Pilot, Early Adopters, and

Full Rollout – are structured to gradually implement the PACeHR EHR product while establishing the implementation and support processes so adjustments can be made quickly. The Implementation Framework is built to provide flexible *product implementation options* to practices based on their needs, goals, resources, and the readiness level of their practice while still meeting the adoption goals of PACeHR. The framework is used to organize practices for efficient implementations and will group ‘like’ practices together based on three variables – timeline, geography, and system selection. This will help to quickly build peer group support from the start and to efficiently share information across practices, which should enhance implementations.

Product Implementation Options

To meet the needs of the wide spectrum of customers, PACeHR will offer three different combinations of EHR system components, or options, to implement. Since the intent of PACeHR is to achieve widespread adoption of full EHRs, the option to implement the system in smaller components will be provided for the practices that are hesitant to commit - provided the practice commits to implement the next product option within 4-6 months of the prior product level. In the diagram below are the three options, starting with the basic product of E-Prescribing as a stand-alone product.

PRODUCT IMPLEMENTATION OPTIONS



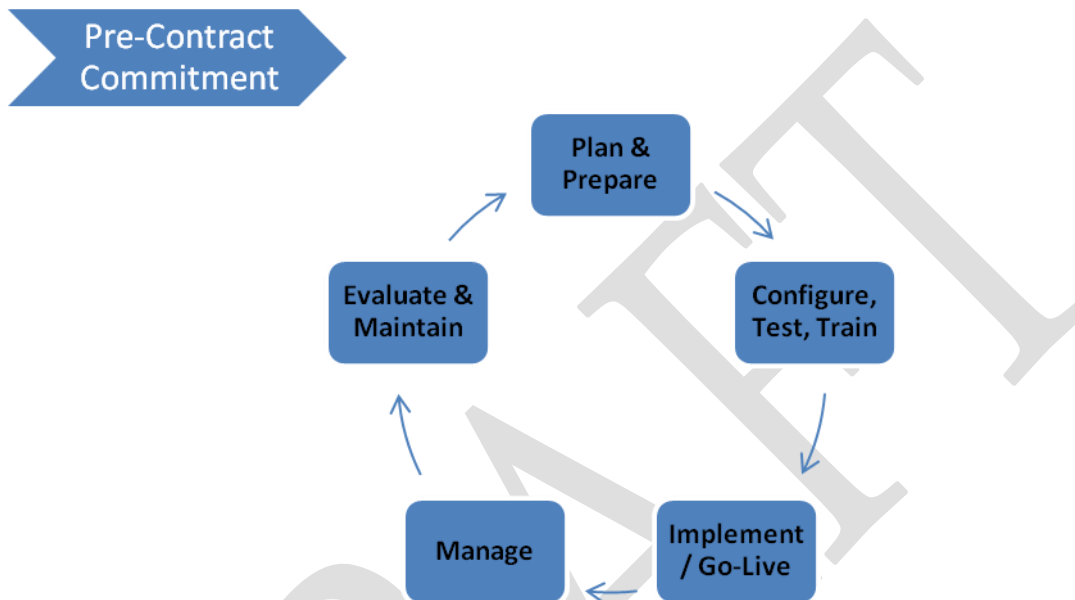
By offering this flexibility, practices can implement more slowly but remain on a set track for complete implementation. Failure to progress along the EHR continuum will not position a practice to receive Federal stimulus funding.

HIGH-LEVEL IMPLEMENTATION CYCLE

To process a large volume of EHR implementations efficiently, each incoming practice will follow a standard implementation cycle. Even though multiple vendors will be involved, the strategy will continue to be to group ‘like’ practices together (even if the methodology for how practices are grouped may vary) and to implement on parallel tracks. This will require the implementations to follow the PACeHR standard implementation cycle and timeline for key activities and milestones.

This cycle breaks implementation into five main categories, or steps, as a continual cycle since as one group of practices progresses forward, the next practices will enter the process to create a continual implementation cycle for PACeHR and the EHR vendors.

HIGH-LEVEL IMPLEMENTATION CYCLE



The time requirements to complete these EHR implementation steps span several months, including the activities that occur before implementation. A high-level breakdown of these key activities is noted below to provide a general guide to assess the timeline and resources needed for implementations.

ACTIVITY BREAKDOWN

Pre-Contract Commitment – This information collection occurs in the sales process before a commitment is received. This step determines: organizational readiness, high-level requirements to assess appropriate system solution (is an EHR appropriate and if so, how to determine which one), the high-level plan for resources (to ensure the practice has sufficient staff and financing), and a sketch of the scheduling options for the practice.

Plan & Prepare –

Approximately 60 Days Prior to Go-Live (in production) – PACeHR will be heavily involved as the coordinator of activities between the EHR vendor and the implementing practice. Support service companies / partners may be employed to further provide these services to ensure the practice has the necessary support.

Primary activities include: Define project scope and business strategies (turnover, conversion, training, etc.); develop project plan - including procurement of hardware and network components, project management & roles; identify available resources; complete needs assessments; specify detailed requirements (infrastructure needed, interface priorities, etc.); and complete workflow analysis and re-engineering processes & documents.

Configure, Test, Train –

30 Days Prior to Go-Live – This month may show a decreased PACeHR time commitment since this is when the EHR vendor will provide the majority of services provided in their implementation fees. PACeHR will still coordinate activities to ensure milestones and timelines are met and will help providers with their assigned tasks (e.g. setting up provider lists). This will double as a learning experience for PACeHR to more fully understand the specifics of each EHR vendor.

Primary activities include: Component installation / connection (ranges from hardware to software to modules to be used, etc.), training, table and screen set-up (pick list and drop down content), construction of rules logic / clinical protocols, test, etc.

Implement / Go-Live –

Post Go-Live - 1st Month: The EHR vendor is the primary means of support for EHR system issues. PACeHR will ensure issues are resolved timely.

Primary activities include: Increase comfort level using the system in live patient settings, troubleshoot and continue training, and get users involved in the user groups.

Manage –

2nd & 3rd Months: PACeHR will increase the level of support as the vendor is no longer the primary means of system support.

Primary activities include: Troubleshoot and monitor workflows and recurring issues (system and/or user) to address in additional training programs and needed system adjustments. Identify improvements based on gained system knowledge.

4th – 6th Months: PACeHR support is nominal unless the practice has unforeseen issues / challenges with their system. This time period should enable the practice to get comfortable with the tools.

Primary activities include: Re-assessment of workflows and make adjustments based on gained system knowledge. Begin looking ahead to regular reporting of dashboards, clinical measures, work towards performance measures, evaluations, etc.

Evaluate & Maintain –

7th – 12th Months – At this point, the practice has been set up to begin reaching for more advanced functionality with the EHR system (clinical decision support). PACeHR support levels will start to ramp up again to help guide the practice to optimize their system use – this is the critical point when working to achieve – and prove – meaningful use. Processes and/or other segments of the system may require some adjustments to move forward.

Primary activities include: Identify changes required to prepare to use the more complex / advanced features of the EHR system. The Reports and Measures Workgroup will have developed evaluation tools for each practice. At least some of those tools will be applied at this point.

13th – 18th Months – Practices should be producing and analyzing reports on their practice that will support their efforts to receive Federal funding for ‘meaningful use’ achievement. Processes and/or other segments of the system may require some adjustments to move forward.

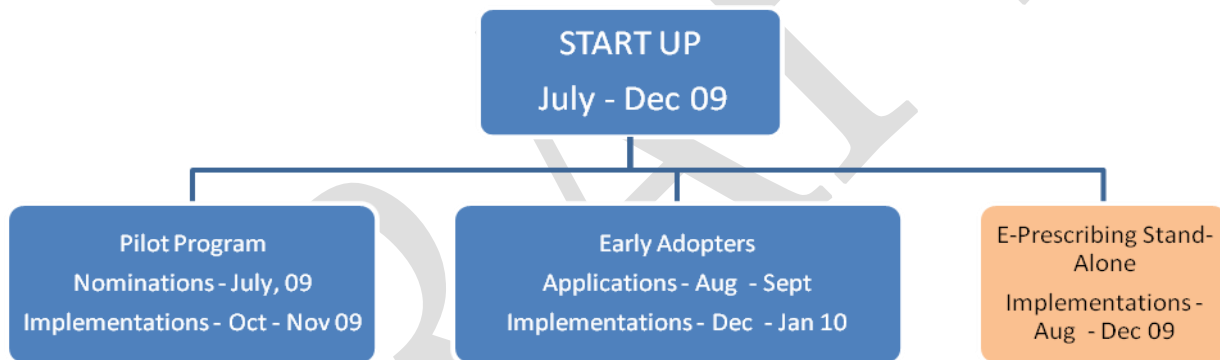
Primary activities include: Preparation for measuring and reporting achievements due to use of the more complex / advanced features of the EHR

Throughout all implementation activities, the PACeHR team will manage ongoing optimization opportunities through education and training to help all practices achieve meaningful use.

INITIAL PROGRAMS

The **PACeHR Pilot Program** and the **Early Adopters** will be implemented during the PACeHR start-up from July through December 2009. Both programs will be supported to achieve rapid and resounding successes. PACeHR will use the pilot and early adopter providers as the marketing and user group nucleus.

PACeHR START-UP PROGRAMS



Simultaneously, an **E-Prescribing** stand-alone module will be made available for the benefit of the AHCCCS and AzHEC e-prescribing initiatives. While this approach is supported by PACeHR, it is preferred that subscribers identify a timeline for full EHR implementation within 4-6 months e-Prescribing use. The implementation support for this stand-alone program will be driven by the health plans that will collectively sponsor up to 300 practices to implement e-Prescribing by 4Q09. PACeHR may provide support – mostly from a scheduling and coordination perspective – until they become prospects since the over arching goal of PACeHR is to get full EHRs adopted.

As the pilot and early adopter programs get solidified and more established throughout the fall of 2009, PACeHR will, through the workgroups, evaluate the implementation processes applied and will revise as needed before expanding – critical to meet the aggressive adoption rates targets. This implementation schedule will require extensive coordination across partners to avoid duplication of roles and confusion.

In early 2010, the focus will shift to implementing EHRs on a much wider scale through the **Full Rollout Program**. This may include some early adopters who committed in 2009 but weren't quite ready. These practices will have the flexibility of a phased implementation.

Pilot Program

The first group of practices to implement the PACeHR EHR will be the PACeHR Pilot Practices. These 5-10 small to medium size practices will help solidify the implementation processes and procedures for how the organizations work together as well as to test the training approach and the actual EHR applications. The primary goals of the pilot are:

- Validate the implementation processes for the PACeHR EHR
- Obtain success stories for marketing campaigns
- Create implementation baseline metrics

Since interest to date has been received by almost 30 practices, a nomination and evaluation process was developed. This includes submission of the **PACeHR Pilot Site** Nomination Form, Readiness Assessment documentation, and adherence to the following **requirements**:

- Complete and submit the PACeHR *PILOT PRACTICE Nomination Form*
- Identify clinician champion and staff member who will be responsible for project management and serve as your PACeHR liaison.
- Obtain hardware and network connectivity that meets program requirements.
- **Commit to full participation for two years** (including creating and implementation adoption plan, implementing optimized workflows, training, using EHR features that maximize decision support, engaging in educational activities, and providing feedback and data, e.g. surveys, operations information, chart review, interviews, etc.)
- **Assist in refining the information systems** (products, interfaces and hardware use) by participation in design and testing activities.
- Actively engage in **PACeHR User Group and Peer Support Network** go share learning and create a supportive environment for continued practice development.
- Provide care for AHCCCS, Medicare, and/or State of Arizona employees; preference will be given to primary care practices and clinics (i.e. family practice, internal medicine, OB/GYN, pediatrics.)
- Use and confidentially **share practice data to establish baseline measures** and monitor progress.

(A copy of the actual Nomination Form and other pilot-associated documents are in the Appendix.)

Once received and evaluated against the program criteria, the PACeHR evaluation staff will recommend finalist candidates to be selected by the PACeHR Board of Directors in August, 2009 with planned pilot attendance at a PACeHR Orientation in September. Since one core criteria for acceptance is the completion of pre-implementation workflow assessments (which must be submitted with their nomination form) and a high level organizational readiness, it is expected that the pilot practices may require slightly less than the typical 60-day pre-implementation preparation time. This will allow the first pilots to implement in 4Q09.

The management of the pilot implementations will be two-fold. PACeHR will have responsibility for the overall implementation plan and schedule, and the EHR vendors will each manage the detailed implementations for their respective organizations. Other PACeHR staff (and workgroup participants) will participate – at least one for each vendor – as part of their vendor expertise training. The selected practices will start as a group to orientate practices to the PACeHR program and plan. Once separated by vendor product, each pilot group will work independently of the other vendor but their implementation schedules will be mirrored, and the PACeHR staff will meet regularly for joint team meetings. Training will occur in groups as much as possible. One of the EHR vendors has a 24-seat training facility in Phoenix, which will be a tremendous asset to this approach.

All pilots will be targeted for implementation per the following timeline:

HIGH-LEVEL TIMELINE for PILOT & EARLY ADOPTERS										
July-09	August-09	September-09	October-09	November-09	December-09	January-10	February-10	March-10	April-10	May-10
Develop Pilot Criteria	PACeHR Award Announced									
Pilot Application Process	Pilot Selection & Orientation	Pilot Planning & Prep	Configure, Test, Train Pilots	Implement Pilots (10/30 - 11/6)	Manage Pilots	Evaluation & Ongoing Maintenance				
	75 Days Out	60 Days Out	30 Days Out	Day 1	Days 2 - 30					
5 Month Implementation Process										
		Educate & Early Adopter Recruitment / Orientation	Plan & Prep EA Group 1	Configure, Test, Train EA Group 1	Implement EA Group 1	Manage EA Group 1	Evaluation, Ongoing Maint EA Group 1			
		90 - 120 Days Out	60 Days Out	30 Days Out	Day 1	Days 2 - 30				
		Educate & Early Adopter Recruitment / Orientation	Plan & Prep Early Adopters G-2	Configure, Test, Train EA Group 2	Implement EA Group 2	Manage EA Group 2	Ongoing Maint. EA Group 2			
		90 - 120 Days Out	30 Days Out	Day 1	Days 2 - 30					

The pilot participants, per the attestation signed with their nomination form, are committed to PACeHR participation for at least two years. During this time, this group will be a primary source of product development and improvement efforts as well as active participants in the user groups and peer support network. This pool will also produce multiple PACeHR super users, which is a future role needed for each PACeHR EHR partner.

One of the many incentives for pilot participation is the opportunity to be sponsored by an external entity to help defray or fully absorb the costs of the EHR implementation. Each sponsor will provide financial or staff resources, or both, and when possible, they may select the practice(s) to sponsor. Sponsorships will be accepted through September or until all 10 practices have 100% sponsorship. Included in the Appendix is a high-level draft of a sponsorship form.

Each implementation will have a coordinator within PACeHR to monitor and support their lifecycle to position PACeHR as **the organization that greatly increases the success rate of EHR implementations and use.**

Early Adopter Program

The 70 small to medium size practices in the Early Adopter Program will pilot the PACeHR implementation strategy of a phased group approach since the pilot practices were not segmented in this manner. Additionally, the early lessons learned from the pilot will be incorporated into this strategy so it must remain flexible under the designed structure.

The Early Adopters will first be segmented into two groups by commitment date and then organized into 'like' groups by geography, EHR vendor, and the system components selected. Ideally, there will be a sufficient count of practices that implement the full EHR and those that only implement the core & PMS to allow live testing of each implementation type. E-Prescribing alone is not an option.

Once grouped, the early adopter practices will follow the core PACeHR Implementation Cycle. Some activities will occur at the individual practice level and others one-on-one with PACeHR and/or EHR vendor staff, but the

practices will re-convene as a group either through WebEx tools and/or in-person meetings and training. Primary content for group training includes:

- How to prepare to accept an EHR and how to use it;
- How to determine the right business strategy for a specific practice;
- Standard implementation processes
- Roles and expectations of each entity (practice, PACeHR, & EHR vendor);
- Practice pre-work requirements and tasks, training strategy, etc.

This information will be presented and reviewed with the group collectively - possibly over several sessions. This is not to diminish the individual practice needs but to capitalize on information sharing opportunities, to provide cost efficiencies, and to form user relationships for post-implementation support. PACeHR & vendor staff will also participate. After the group-training, individual practice needs will be addressed in separate private sessions that require hands-on contact in their facility.

Since PACeHR will most likely have more than one EHR vendor from the beginning, there will be parallel implementation tracks across vendors that will run simultaneously with one another to allow multiple implementations on the same coordinated schedule. PACeHR is responsible for this coordination.

Full Roll Out

Once PACeHR moves beyond the Early Adopter Program in January, 2010 it will apply the implementation framework that offers practices product implementation options to match the speed at which a practice can comfortably implement – organized by the level of functionality to be implemented.

- Option 1: E-Prescribing alone initially, then the core EMR with or without a PMS, and then full EHR with interoperability (each within 4-6 months of the prior product);
- Option 2: Implement the core system (which includes E-Prescribing) and then move to the full EHR mode;
- Option 3: Implement the full EHR in one wave.

Even though Options 1 and 2 phase the implementation by functionality, the practice will be required – per the agreement signed by the practice – to have committed to a set timeline in which to achieve full EHR implementation. PACeHR may choose to implement incentives for accelerated adoption or penalties for severely missed targets – also to be noted in the provider agreement. The practice-specific implementation timeline is created during the commitment process and is included in the agreement to commit both the practice and PACeHR to a timeline.

One unique component of the PACeHR approach is group implementations to enable PACeHR to train more staff in less time. The group sessions can be conducted via tools like WebEx, on-line education / training program, or other resources. An additional resource is a new Shadow Program that pairs new providers with existing PACeHR providers. These activities occur before a practice begins their implementation.

The Full Roll Out program will be implemented according to the process and implementation cycles identified in the Early Adopter Program but modified based on the lessons learned.

Implementation Roles and Responsibilities

As the broker of services, PACeHR will need to expend resources coordinating activities across vendors and practices to ensure activities are completed once and that responsibility assignments are clearly defined. Initially, during start-up operations, implementation responsibilities for PACeHR will involve the following (more details on roles and responsibilities for the whole PACeHR organization can be found in the Management Section of this document):

- PACeHR Implementation Manager – produce detailed project schedule, direct and coordinate the overall implementations to maximize PACeHR resources, and to collaborate with the practices and vendors to ensure appropriate communications. Liaison between vendor & practices re: implementations & liaison with User / Ombudsman workgroup
- PACeHR Optimization Specialist / Super User – will provide site-level support throughout the pre and post implementation processes for implementations within a specific EHR vendor (PACeHR will supply one position for each EHR vendor). This includes workflow analysis and training assistance. Post implementation, this role will provide system optimization guidance and direction to practices as appropriate and support the User / Ombudsman workgroup with user feedback.
- PACeHR IT Expert – Provide infrastructure guidance and support for practices re: technology needs to implement, manage, & support the system (hardware, network, interfaces, etc.). Will also supplement the resources provided by each vendor if needed. This will help ensure the practices know what they need and are buying. This role will work with the Optimization Specialists as they may provide some of this assistance (depending on skill and knowledge levels).
- Workgroup Participants – as the implementation progresses, representatives from each workgroup will be included in each implementation. Workgroup Chairs will need to be trained on each system during the early phases of the pilot implementations.

As the organization evolves into full implementation mode, the above roles and responsibilities will be further segmented into more specialized roles. These roles are further defined in the Management Section of this document as are the remaining roles not included here.

MISCELLANEOUS OPERATIONS / POLICIES

Product Development

Product development will initially center on selection of the next EHR vendor(s) based on market research which, as of this writing, indicates both behavior health and long term care are extremely eager to participate in PACeHR. In early 2010 updated market information will confirm the next target market(s) to drive the development of the next EHR modules / products.

By engaging customers throughout the implementation lifecycle, PACeHR can receive feedback on what other product features and /or services are needed to grow the business. Existing customers are a prime source of good product development ideas since they're using the product and know what else they need / want to enhance their

product experience. PACeHR will take this information and blend it with external market research to continually develop and enhance products and services as the customer base is ready for more advanced products (ICD10 coding support, ECDS use, report maximization, etc.). By having these available from PACeHR, the provider will be more inclined to remain a valued PACeHR customer.

Production and Quality Control

The EHR vendors are responsible for physical development of their EHR system. PACeHR, through project oversight responsibility, will provide feedback on changing customer needs and system enhancements.

The optimization specialist will monitor the quality of the implementations and ongoing system functionality from a purchaser perspective (the actual product supplier will maintain internal quality control). They will also monitor the Service Level Agreements to ensure compliance, with support from contracts staff, as each vendor will have a Service Level Agreement with PACeHR the enterprise. PACeHR will also work with the vendors to address any issues. The workgroups will support this function as they will develop a structured evaluation process to assess the implementation process results and the ongoing administration and use of the EHRs.

When subscribers contract with a service provider – whether its PACeHR or a 3rd party - they will be asked for feedback on the services received. Member Services will monitor this function by evaluating the results of contracted services through use of an electronic survey tool for efficiencies. Survey results will be tracked by the database manager and included in the company profile, which is consulted for future referrals. Providers with unacceptable service results will be evaluated for possible exclusion from the Certified PACeHR Provider program.

Location

After year one, the physical requirements will expand from office space for 15 staff to space for 30 (including consultants), three conference / multi-purpose rooms, and at least one training room equipped with computers, internet, and a projector. This facility will be used for on-site training and education of providers and also for organizational and workgroup meetings.

Starting in January, 2010 PACeHR will evaluate the need and options for satellite facilities (at-home contractors or extension centers) that may be required to service the practices in the far-reaching sections of Arizona. The PACeHR EHR commitment rate in these geographic sections of the state will drive the timeline for having satellite staff.

In addition to the standard building utilities and features, reliable internet availability is mandatory as many of the training and support services functions will be conducted via web conferencing. The marketing strategy will also rely heavily on internet usage, as will components of the core operations.

Standard business hours of operation apply (8 AM – 5 PM, Monday through Friday).

Legal Environment

As a broker of EHR services, the primary role for PACeHR staff is **bring two entities together** to ensure EHRs are rapidly implemented and utilized to their capacity. This broker relationship will span the EHR vendors, the providers, and the support service companies and will require PACeHR to have a legal agreement for each type of broker relationship. These template agreements can be re-produced with minor modifications to expedite turnaround times on agreement execution. The core legal agreements needed include:

- **A Master Contract** with the EHR vendor(s) that identifies the roles of the EHR vendor and of PACeHR, and will include the terms and conditions of the partnership. This will include all products, services, pricing, etc. needed to implement and maintain the EHR product offering to PACeHR customers. This contract will be for a term of five years.
- **A Base Contract** will be a re-usable agreement designed for the purchaser of the PACeHR EHR at a set price to use with each practice to commit to a vendor's EHR services for a minimum of 24 months with the option to renew for up to 36 additional months at the same contracted rate and terms.
- **The Addendum** will allow for any additional services the provider selects from the EHR vendor, such as data conversion services, and will also be used for provider contract renewals. A template will be created and used whenever possible.

Once Sales has secured a contract commitment to use the PACeHR EHR, PACeHR will prepare and execute the necessary legal agreements. Once completed, including receipt of the required implementation deposit, PACeHR will enter the information into the database (purchaser, products, etc.) and begin the planning by coordinating the activities, schedules, and resources with the required external entities. PACeHR will continue to act as the broker / relationship interface throughout the implementation process and ultimately will facilitate and manage the contract terms and conditions as the liaison between the EHR vendor and the providers.

Inventory & Suppliers

As a broker, PACeHR will not maintain an inventory of products per se but will maintain a database of information to help others access products.

PACeHR will retain relationships with two primary types of suppliers - the EHR vendors selected as PACeHR vendors and the service providers certified by PACeHR that are eligible for member referrals. During the Start-Up phase, there will most likely be up to two EHR product suppliers but contracts are not yet finalized. Towards the middle of Year 1, however, additional EHR vendor(s) may be added as will the service providers.

OPERATIONAL FINANCIAL POLICIES

Credit Policies

Once a provider signs the initial commitment agreement, PACeHR will need to ensure the provider has sufficient resources to provide the initial set-up monies and sufficient cash flow and credit history that will enable on-time monthly payments. This service will initially be handled internally with PACeHR.

PACeHR will not offer credit to potential customers but PACeHR will help identify resources for appropriate financial support for providers who are interested in securing a PACeHR but are limited financially. These resources will include using the PACeHR loan program to identify financial institutions that could generate a loan, help and guidance with the ARRA application process, and/or identification of private grant options.

Due to the discounted pricing already in effect with PACeHR products, prompt payment discounts will not be offered to customers.

Accounts Receivable

PACeHR will operate on a 30-day accounts receivable cycle, with a reminder billing notice sent 15 days prior to the due date on any unpaid balance (an electronic reminder system will be utilized as much as possible).

When a provider signs a PACeHR / Provider Agreement, the provider will commit to the finance and implementation policies and procedures PACeHR will apply to the implementation. This will enable a practice to have approximately 30 days to prepare for the EHR implementation arrangements. The full payment of all fees associated with their specific implementation will be payable to PACeHR on Day 1 of the pre-implementation process. Typical implementations start 60 days before the schedule 'go-live' date and the contracts are targeted to be signed 30 days prior to the implementation process. Should additional, unplanned implementation services be contracted, these fees will be due to PACeHR no later than one business day prior to go-live.

The provider will be required to adhere to the following initial payment schedule to ensure PACeHR has the required financial reserves available in the event the provider defaults on their commitment.

- 60 Days prior to 'go-live'* – provider will be required to pay their implementation costs in full;
- 30 Days prior to 'go-live' – provider will be required to pay the first three months of their monthly fees to PACeHR (these will cover Days 1 – 90).
- One day prior to go-live will require the provider pay the balance of any outstanding implementation costs incurred but not previously paid.
- At Day 1 of 'go-live' – provider will be invoiced for their monthly fees, due at the end of 30 days.
- At 30 Days post 'go-live' – monthly invoicing will be continued, which will be for the monthly payment of their monthly fees (when this is paid by Day 60 after 'go-live', PACeHR will have two months of reserves for that provider and will have received payment for Days).

From this point forward, the provider will receive an itemized invoice every month under the same terms. Payment is expected to be received by PACeHR within 30 days of the invoice date. PACeHR will pay the EHR vendor & other service providers as per the PACeHR / Vendor Agreements.

**This schedule assumes a 90-day process from commitment to 'go-live', which will not always occur. For purchases that occur in 60 days or less, the 25% deposit will not be necessary as full implementation costs will be due at contract commitment / signing.*

Payment of Invoices:

Non-payment of an invoice within the designated 30-day time period will generate a reminder invoice, which will include a percentage penalty for each day payment is not received. The penalty percentage will be defined in the Provider / PACeHR Agreement but will initially be offered at 1.5% per month for the unpaid account balance. If payment is not received in full (principal plus the penalty interest) by Day 60, PACeHR will have the option to restrict the provider's access to all or part of their EHR product and/or other PACeHR-provided services (this process will be contained within the Provider / PACeHR Agreement) until full payment of principal and penalties, is received. Additionally, the provider's involvement in PACeHR-provided activities (workgroups, user groups, etc.) may cease at the discretion of PACeHR.

Customers who have not brought their payments current by Day 90 of non-payment will be eligible for legal action required to seek payment in full, plus all the penalties noted above.

PACeHR will offer the option of bi-yearly billing. Providers who choose to pay their EHR fees in full six months in advance will receive an X% discount. Do we want to go this route or keep it all monthly?

Accounts Payable

The largest monthly expense for PACeHR (outside of staff and ongoing operations expenses) will be the monthly EHR vendor fees. These fees are set based on the contract with each EHR vendor, and the guaranteed pricing structure is not consistent across vendors. Consequently, when the contracts are finalized, this information will be captured in the PACeHR system for ongoing monitoring to ensure all parties involved pay the correct amounts over the duration of the contract. PACeHR Contracts will be responsible for the ongoing maintenance and management of this information.

Cancellation Policy

Standard agreements between PACeHR and each type of provider / vendor will contain the duration length for the specific agreement. While canceling out of contract / agreement is not PACeHR's primary practice, the option will need to exist, albeit it with some penalties based on specific situations. Listed below are the general cancellation policy approaches PACeHR will follow but specific details and associated penalties will be addressed within each agreement.

A provider may opt out of the EHR vendor contract prior to implementation day 1 but will be financially responsible for all fees associated with the implementation except for the first monthly EHR fee. A provider may upgrade to a higher-grade package without a penalty provided the new package fees are paid.

A provider who wants to cancel their EHR product / service anytime after Day 1 of implementation will forfeit all fees paid to date and will be required to provide at least 30 days written notice.

Milestones

PACeHR has established milestones for the initial start-up phase of the organization and a separate list for when PACeHR is operational.

Between July and December of 2009, PACeHR will be in the primary start up phase of operations. Part of this period is to test the implementation processes and procedures developed to date. The Pilot and Early Adopter Programs will be the source of this testing.

MILESTONES – Start Up Phase	TARGET DATE
PACeHR Board of Directors Organizational Meeting	Jul-09
EHR vendor contracts finalized	Aug-09
1st pilot implementations	Oct-09
Early adopter rollout complete	Dec-09 / Jan-10
Service company partner contract agreement in effect	Oct-09

Executive director hired and on-board	Dec-09
Implementation evaluation results	Dec-09
Start up funding through AHCCCS/CMS 90/10 match received forFY10	Dec-09
Established governance and business operations for the enterprise	Nov-09

Milestones for fiscal year 1 and2 are noted below.

MILESTONES – Years 1 -3	TARGET DATE
Subscriber provider memberships exceed 500	Jun-10
Established contract for a specialty EHR product	Sept-10
Data access agreements that cover 1 Million patients	Dec-10
50% of the E-Prescribing stand-alone practices convert to a full PACeHR.	Dec-10
Profitability targets are met	Jan-11
Pilot practices achieve ‘meaningful use’ designation by the Federal ARRA program.	Apr-11

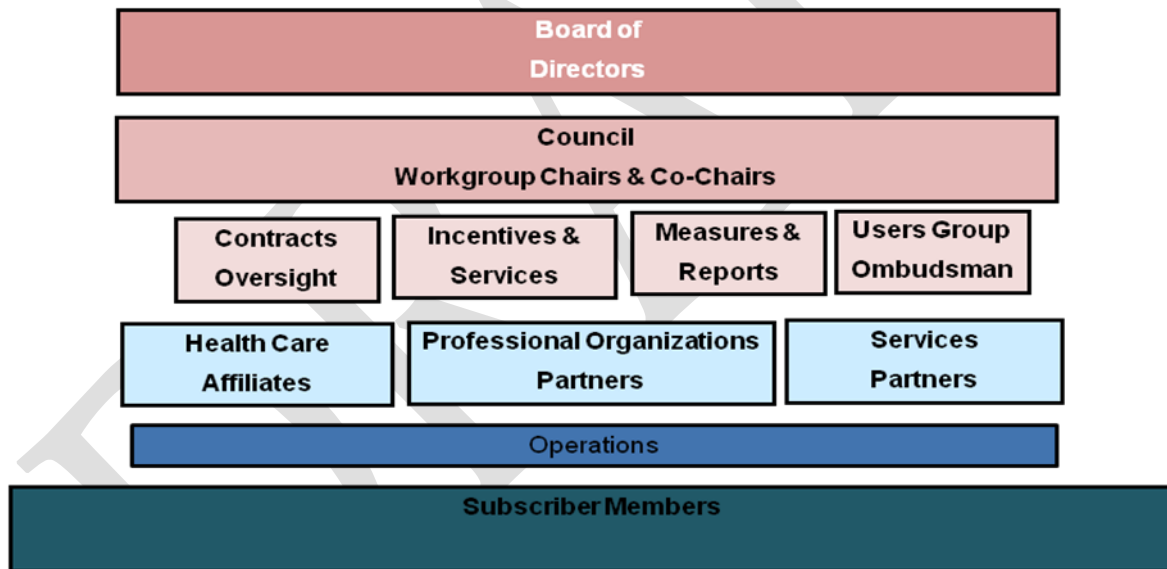
Management and Organization

Until the hiring of its Executive Director, the founding AHCCCS staff under the guidance and direction of the Board will oversee PACeHR operations.

PACeHR’s Board of Directors, Leadership Council (and AHCCCS) will share the following responsibilities:

- Engage, facilitate and empower key stakeholders to participate in the selection, promotion and implementation of the web-based EHR solution(s)
- Maximize health care stimulus package incentives (ARRA)
- Execute standard agreements for services and products
- Review management and utilization reports that allow transfer of certain data sets to the Health Plan (s), AHCCCS, and/or other entities and individuals as permitted by HIPAA and provider.

PACeHR Organizational Structure (as of June 2009)



The board members, and their associated organizations, include:



Roger Hughes	Executive Director, St. Luke Health Initiatives
Joseph Coatsworth	CEO, Az Association of Community Health Centers
William Hagan	CEO, AmeriChoice Operations, United Healthcare
Leonard Kirschner MD, MPH	President, AARP
Myra Muramoto, MD, MPH	Associate Professor, Department of Family and Community Medicine, Public Health
Tara Plese	Director, Gov't & Media Relations, AZ Association of Community Health Centers
Shahram (Shez) Partovi, MD	Medical Director, Medical Informatics, Barrow Neurological Institute St. Joseph's
Ted Williams	President and CEO, Southwest Behavioral Health
Anita Murcko, MD, FACP	Medical Director, Clinical Informatics & Provider Adoption, AHCCCS

STAFFING

PACeHR's founding staff are engaged in its initial operations and will continue to provide key strategic resources to help PACeHR meet its year 1 goals. Core roles and their associated deliverables are noted in the next chart.

ROLE / TITLE	DELIVERABLES / RESPONSIBILITIES	FTE or Contract	PROJECTED START DATE & Critical Criteria for start
BOD	Develop & Engage PACeHR Organization & strategic direction / planning		
Project Director	Workgroup development & staffing	1 FTE	July 1, 2009
	Clinical content development / direction		
	Establish Program Evaluation Process – Measure pilot, vendor / product evaluations, project & program evaluations		
	Oversee the procurement of a second round of electronic health record vendors		
	Coordinate Case Studies of system / program value		
Operations	Facilitate communications across partners	1 FTE	July 1, 2009
	Coordinate PACeHR Operations		
	Develop PACeHR EHR Product Implementation Plan (pilot thru full rollout)		
	Coordinate Case Studies of system / program value (for marketing / recruitment efforts)		
	Market products & services; create materials to promote PACeHR to providers & to support service companies (create value proposition flyers for promotional purposes); design and manage website		
	Develop / identify training and education needs; provide education and training resources and services		
Implementation Services	Liaison between vendor & practices re: implementations & liaison with User / Ombudsman workgroup	2 FTE	1 July 1, 2009; 1 October 1, 2009
	Provide ongoing implementation guidance & support to PACeHR providers throughout 18 month implementation cycle.		
	Support User / Ombudsman workgroup		
	Develop / identify training needs & resources		

	Provide education on EHRs for providers & patients; develop training program concepts / approach & identify external resources		
Member and Support Services	Administer the network of support products & services, including services provided by professional organizations	1 FTE	1 August, 2009 IF the Procurement Role moves to another role, then this position can hold till 10/1/09
	Coordinate requirements and develop and administer processes for membership services function (manage data, agreements, services used, etc.)		
	Lead the procurement of a second round of electronic health record vendors		
	Coordinate implementation of support services function		
Sales	Develop sales process	50-100%	1 September 1, 2009
	Create process / rules for how a practice selects a vendor (if we use >1 EHR vendor)		
Data Analyst / Admin	Support management of operational data & data access tools	1 FTE	
	Coordinate surveys / LOIs, evaluation program, & other data collections		
	Event coordination, scheduling, logistics, registration processes.		
	Establish business processes to expedite contract processing, follow up, & contract management		
	Support provider membership & vendor contact information, and monitor contracts (for renewals, changes, etc.)		
Finance / Contracts	Manage vendor & provider contracts	.5 - 1 FTE	50% + as available starting July. 100% October. If need to go outside, 100% effective October 1
	Contract with external entities & negotiate volume discounts on hardware & other technologies		
	Coordinate the billing & payment of PACeHR services across vendors and providers; set up financial arrangements		
	Develop data access agreement content/business rules, function, business needs		
	Establish business processes to expedite contract processing, follow up, & contract management		
	Liaison between Contracts Workgroup & PACeHR		
	Negotiate / support development of a loan program with a financial institution for providers		

Sr Systems Analyst	Coordinate system needs re: development & management of collaborative-sponsored interfaces & eligibility / enrollment processes, including pre-population of data in EHRs.	.5 FTE	Continue current assistance from HIE to 50% July 1 - September 20; 100% October 1, 2009
	Provide infrastructure guidance and support for practices re: technology needs to implement, manage, & support the system (hardware, network, interfaces, etc.)		
	Facilitate enterprise system needs; coordinate requests / issues from providers		
	Identify 'how' to access / share the data (do we export to a data warehouse or have the vendor host all data – work through issues if >1 vendor)		
	Implement data control / security issues; ensure HIPAA compliance & patient confidentiality		
Grant Writer / Funding	Identify and submit grants appropriate for funding to support the organization	1 FTE%	Begin mid-July. Cost projected based on consultant (CR) not staff rate of pay (PR). IF existing staff used, cost would change to \$27,400: reduction of over \$55K in uncovered costs.
	Establish funding solutions for providers. Design provider funding application templates to standardize, simplify, & accelerate the application process to help providers secure funding from identified sources (ARRA, small business loan agreements, etc.)		
Legal	Lead / participate in vendor contract negotiations, execution and oversight, and optimize contracts with providers and other entities	.15 FTE	6 hours / week
	Support provider contract execution and oversight.		
	Create and optimize templates for contracts, including for support services companies. Other legal services as needed (yearly not-for-profit reporting, renewals)		
Admin Support	Support project director w/t PACeHR Organizational set up	50% PACeR 50% AMIE	
	Track events, communications – with vendor, pilots, early adopters, new prospects, communication follow up		
	Support event coordination		
	Coordinate activities to support the procurement of a second round of electronic health record vendors		

FINANCIAL PLAN

Overview

PACeHR will be a subscription and consulting service fee model with various fee-based subscribers and members. The financial plan for PACeHR includes the Start-Up Phase of July – December, 2009, then Fiscal Years 1 and 2 with a fiscal year of January – December beginning in 2010.

Current financial estimates do not indicate a need for PACeHR to borrow any funds to maintain financial health. In fact, based on the two-year revenue model, PACeHR will be able to generate a profit by 3Q10.

These projections are based on two key assumptions –

- AHCCCS and PACeHR will complete a financial support agreement, and
- The data access model will produce expected revenue as planned.

These are both critical assumptions and represent the majority of the revenue through Year 1. The pending agreement with AHCCCS and PACeHR is for a four-year financial support agreement that would enable AHCCCS to continue to provide knowledgeable staff resources (important from a continuity perspective) while securing Federal EHR adoption support funding under ARRA. PACeHR will have a set financial obligation to provide 10% of the funds provided by AHCCCS through ARRA funding, which PACeHR anticipates generating.

Startup Expenses and Capitalization

Initial operations will be funded in three different segments:

- Start-Up / Transition Phase 1 – July through September, 2009 – start-up operations will be financed through the Federal Transformation Grant funds provided through AHCCCS
- Start-Up / Transition Phase 2 - October 2009 through February, 2010 - will be supported through a one-time cash receipt from AHCCCS for staffing, planning, and implementation to move PACeHR forward with the pilot and early adopter efforts. This would be through a Consulting and Support Services Agreement between AHCCCS and PACeHR. *Private capital will be required to fund the last quarter of 2009 if other ARRA funds through a pending agreement with AHCCCS do not become available.*

CAPITAL REQUIREMENTS	
PHASE	FUNDS NEEDED
Start up Costs Needed	\$335,250
Year 1 Funds Needed	\$609,000
Estimated Projection	(\$2.9M)

- Capitalization for 2010 - 2013 is anticipated through federal 90/10 matching funds under ARRA – via AHCCCS – to support any remaining gaps in financing. The Federal American Recovery and Reinvestment Act (ARRA) will be approached for funds starting in October, 2009 (or as soon as they become available) as these funds are earmarked for EHR adoption and support.

PACeHR will hire a grant writer to seek other federal grants from CMS, HHS, and/or from other federal and private agencies for the purpose of promoting EHR adoption.

For the first six months of Start-Up Operations, PACeHR will handle the billing and accounts receivable functions manually through internal operations. Starting 1Q10, a 3rd party billing service will be evaluated / considered for ongoing financial operations as the volume increases. Costs to outsource the financial services will incur fees based on 2-4% of the transaction fee, plus \$0.30 - \$0.50 per transaction, plus a monthly fee of approx \$30. For the assumptions noted in this document, PACeHR will manage this function internally.

Whether handled in-house or through a third party, these functions will be an integral part of PACeHR operations and will not be handled through the EHR vendor(s).

REVENUE MODEL

As a non-profit entity, PACeHR pricing is based on two fundamental principles.

- Pricing should reflect what PACeHR management believes to be a fair and acceptable price by customers and PACeHR management.
- Pricing should reflect what PACeHR needs in revenue to cover costs and maintain operational sustainability while providing a high-level of excellence in customer support and satisfaction.

These fundamental principles have been applied to the three PACeHR markets:

- Provider Subscribers
- Managed Care Organizations
- Third-Party Vender Services Certification

PACeHR Optimization Specialists will be responsible for all labor associated with the pricing model.

Revenue Fees

The majority of the projected expenditures in the Start-Up phase and in Year 1 and Year 2 are to support internal PACeHR staff – primarily due to the specialized skill set required for EHR implementations. Additional start-up costs will provide the hardware and software to properly equip the PACeHR Headquarters with the necessary infrastructure.

SUMMARY –PACeHR YEAR 1 AND YEAR 2 REVENUE AND EXPENSE PROJECTIONS

	Transition Costs	Year 1	Year 2
TOTAL REVENUE	\$	\$ 4,758,600	\$ 10,743,000

	Transition Costs	Year 1	Year 2
TOTAL EXPENSE	\$ 335,250	\$ 5,367,593	\$ 7,823,260
Operational Year Surplus/Deficit	\$ (335,250)	\$ (608,993)	\$ 2,919,740

Since the ARRA funds are allocated specifically to assist Medicaid organizations in pursuit of EHR adoption, the AHCCCS / PACeHR agreement will enable both organizations to reach their common goal of statewide adoption and meaningful use of EHRs by Arizona healthcare providers.

While the primary target market is the provider base within Arizona, the primary revenue source may not be this membership due to available profit margins and the organizational business strategy. Consequently, other sources of revenue will be needed to sustain PACeHR, including fees from the EHR vendor, support services companies, grants, and organizations who participate in the data access function, once available.

As PACeHR moves from start-up operations to a fully functioning, self-sustained entity, funding sources may include some or all of the following over the course of the year:

FUNDING SOURCES – Revenue Fees

MCO Broker Fees (Data Access & Case Management) These fees would be charged to the external entity (e.g. health plan, state agency) and/or the EHR vendor for access to provider-generated data for specific populations. Their relationship with the data source will drive whether identified or de-identified data will be available (e.g. a health plan can receive identified data for their members only, or they can receive de-identified data for population health statistics). PACeHR will not hold the data – it will facilitate the process to enable the entities to get access to electronic health data. Each type of data access will require a contract / legal agreement between all entities. (Suggested initial fees are \$.17 PMPM w/a minimum 12 month contract.).

Subscription Sponsorships Money provided by an external entity that is earmarked to defray implementation and/or monthly fees due by a provider. These sponsorships may be specifically targeted to a provider(s) or they may be lump sum donations that PACeHR will distribute.

AHCCCS Transformation Grant Funding (per Consulting & Support Services Agreement) The amount listed is the total of all expenses for this month (cell D150).

Private Capital (months 3-6) Total expenses (row 40) minus Vendor Billing Services Fee & Vendor Marketing Fee (rows 43 and 44)

Grants Funding to support operating expenses. Sources may include external entities that elect to

Subscriber Provider Member Fee	This broker fee is owed by the EHR subscriber to PACeHR and is a set <i>monthly fee per provider</i> , is negotiated through PACeHR, and is for the administrative billing and collections & for the support services included with the EHR purchase. Provider member count X provider member subscription fee. (This automatically covers their membership fees.) <i>On top of this fee will be a Service Package cost, which will give the purchaser X# of support services hours from PACeHR staff at a pre-determined cost. The contents and financials on these packages are in process of being calculated.*</i>
Non-Subscriber Provider Membership Fees	The fee enables a non-PACeHR subscriber provider to access a specific level of PACeHR services. It could be 'tool boxes' on the website or grant funding services or something else. Fee charged to NON- PACeHR providers to belong to PACeHR - Estimated # of providers X non-provider member subscription fee.
Organizational Membership Fees (Health care Affiliates)	This monthly fee is for organizations that provide health care services to belong to PACeHR through a means other than by use of the EHR product. Fee charged to organizations to belong to PACeHR - Estimated # of organizations X membership fee. (Non Providers, like MCO, PBM, AzHEC, etc)
Support Services Providers	The fees paid to PACeHR to be a preferred service provider (allows a company to offer support services through PACeHR). They are segmented by Not for Profit (NFP) or a For-Profit. (This is the # of certified companies); # service providers X Certification Fee / 12 months. PACeHR will contract with companies that provide a range of services required for successful EHR implementation, such as project planning and management, hardware purchases, document scanning, etc. There will be an initial certification fee to become a PACeHR provider and then a use fee, which will be a % of the contracted amount.

*The Service Packages will be a pre-determined amount of support services provided by the PACeHR staff to assist providers with the whole EHR process. A certain base package will be included with a subscription to the PACeHR EHR. Providers can also select from more robust service packages when they join PACeHR at a set fee, which will be calculated on a per provider basis. *One pricing option is based on a percentage of the projected return of stimulus package funds appropriate to each provider, but since these rules are not yet available, this option will be explored in more detail later. Discussions with the pilot practices will contribute to this pricing methodology to identify the right price point and package contents.*

PACeHR will manage the financials internally. Controlled access to this database is required to maintain the above fee structure.

PROJECTIONS:

24-Month Profit and Loss Projection

SUMMARY

Revenue

Broker Fees	Transition Costs	Year 1	Year 2
Provider Subscriber I	\$	\$ 1,674,000	\$ 5,940,000
Provider Subscriber II	\$	\$ 669,600	\$ 2,376,000
MCO Type II (Data Re-use + Case Management)	\$ -	\$ 2,400,000	\$ 2,400,000
Third Party Services for Certification	\$ -	\$ 15,000	\$ 27,000
TOTAL REVENUE	\$ -	\$ 4,758,600	\$ 10,743,000

Expense	Transition Costs	Year 1	Year 2
Total Facility	\$ -	\$ 123,000	\$ 123,000
Total Labor	\$ -	\$ 4,455,833	\$ 6,680,000
Total Hardware	\$ 181,000	\$ 22,150	\$ 22,150
Total Software	\$ 39,250	\$ 5,888	\$ 5,888
Total Services	\$ -	\$ 236,222	\$ 209,222
Total Other	\$ 115,000	\$ 524,500	\$ 783,000
TOTAL EXPENSE	\$ 335,250	\$ 5,367,593	\$ 7,823,260

Operational Year Surplus/Deficit	\$ (335,250)	\$ (608,993)	\$ 2,919,740
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Participation	Transition Costs	Year 1	Year 2
Doctor Months (by end of year)		3,200	7,040
Practices (by end of year)		500	1,100

Operational B/E	
Doctor Months	3,520
Practices	550
Operational Month	13

Cost Breakout	
Total Cost to Provider Package 1	625
Total Cost to Provider Package 2	650
Per Provider Brokerage Fee 1	125
Per Provider Brokerage Fee 2	150

KEY ASSUMPTIONS - for the above revenue model are noted in the table below:

Total Arizona clinicians 16,113.
42% of 16,113 (~# total active licensed in AZ docs, PA and NP) = 6767 primary care clinicians
6429 primary care clinicians without EHRs
Based on PACeHR calculations, there are 2,122 (2,057 practices that average 3 providers and 64 practices that average 20 providers) and practices without EHRs (details in Business Plan under Best Case Commitment Rates)
Broker fees include provider package 1, provider package 2, MCO, and third-party services for certification
Clinician months means the number of un-duplicated subscribing clinicians during a month
Prior to January 2010, AHCCCS will operate PACeHR
Prior to January 2010, PACeHR will bring on pilot practices
Pilot practices include approximate 10 practices and 64 providers (see assumptions below for calc.)
Pilot participants will be assessed discounted broker fees
Pilot participants will be assessed discounted vendor fees
AHCCCS will contribute \$250,000 in grant money to offset startup expenses
This budget represents Years 1 and 2 of non-profit standalone operations
This budget represents operations January 2010 through December 2011
Contracts are signed for 24 month periods
80% of practices have, on average, 3 physicians
20% of practices have, on average, 20 physicians
Implementation Fees are, on average, \$8,000 and are pass through to vendor
3 month reserves will be collected from each provided upon initial contract
After year one, no additional optimization specialists will be needed because the existing provider will not need the same level of support.
Legal fees for the first three months will be 300 per hour x 3 hours a day for 20 days a month

Legal fees for the subsequent months will be 300 per hour x 3 hours a day for 10 days a month
Medical Director/Consulting fees for the first three months will be 300 per hour x 3 hours a day for 20 days a month
Medical Director/Consulting fees for the subsequent months will be 300 per hour x 3 hours a day for 10 days a month
Hardware annual costs are approximately 15% of initial costs
Software annual costs are approximately 15% of initial costs
Accounting/Tax/Payroll/Benefit admin is an arbitrary number
Marketing is based on assumption
Travel (Statewide) is based on assumption
Collaborative Training is based on assumption
Web Design and Development assumptions of initial fee then maintenance
Business/Trade Conventions is based on assumptions
Board Meeting/Public Meeting Expenses is based on assumption
Dues and Subscriptions are based on assumption
Insurance is based on assumption
Office furniture and equipment is based on assumption
Postage and shipping is based on assumption
Contingency expenses is based on assumption
Month 4, 50 new practices are added a month
At the end of year 2, PACeHR will become operationally self-sufficient and will pay back the deficit from year 1 of operations
Board meeting/public meeting expenses will escalate in year 2 due to additional public forums across the State of Arizona
Insurance costs escalate in year 2 due to additional participants and associate liability
Vendor certification fees of \$1.200 a year and are collected at time of application.

<p>User package 1 includes the following standard products and services:</p> <ul style="list-style-type: none"> EHR System(s) w/base contracts User Groups Discounted hardware, software, & other support deals(s) Contract Oversight & Ombudsman Clinical Content Oversight / Coordination Monitoring of policy issues that impact EHRs and associated standards Matching service to support services Billing and financial intermediary services <p>Additionally, as a value added benefit, PACeHR will offer additional hours a month total for the following services:</p> <ul style="list-style-type: none"> Reports Loans / Funding / Financial Aid Applications Training Programs IT infrastructure support Implementation Assistance Education
<p>User package 2 includes everything in package 1, but adds on X additional hours for a total of Y hours a month total for the value added benefit services</p>
<p>Users are incentivized to purchase package 2 because the per hour cost goes from \$53 to \$40 dollars. This 33% discount roughly reflects the ERE costs associated with each optimization specialist</p>
<p>By discounting the additional hours for package 2, we are anticipating higher adoption and longer PACeHR membership, which will provide longer revenue streams to PACeHR based on successful practices.</p>
<p>For specifics on package pricing, please see pricing model tab</p>
<p>All costs and pricing numbers are based on no AHCCCS 90/10 or other subsidies</p>
<p>Should subsidy dollars from Medicaid and/or other external entities become available, costs and pricing will be adjusted. Specifically, per provider charges will be reduced accordingly</p>

Funding Requirements / Use of Funds

The Board of Directors will need to establish several policies for PACeHR to direct how revenues can be utilized and the needed authorizations and processes for each. Needed policies that have been identified are noted below.

Initial User Payment Reserves Policy (3 Month Restricted)

These funds are set aside for liabilities due to non-payment by providers. Since the contract for the provider’s EHR will be between PACeHR and the EHR vendor, PACeHR can be held liable for the monthly fees incurred even when providers miss payments to PACeHR. This policy should include the funding mechanism, which will initially be through advance payment of two-three months of monthly EHR vendor fees (including the attached broker fees)

from each provider due prior to go-live. This requirement will be waived for the Pilot Practices but not for the Early Adopters.

Policy Reserves Policy

The purpose of these reserves is to pay for unplanned system costs or enhancements such as new interfaces that will benefit the majority of PACeHR members.

Also need to identify how PACeHR Operations will be funded – PACeHR will prepare an Annual Budget that will be submitted to the Finance Committee, which will make recommendations to the BOD. This needs to included planned enhancements for the upcoming year.

Unallocated Reserves Policy

These reserves are set aside to fund other, unexpected program or development needs or expansions. PACeHR management staff can submit a proposal to the BOD for consideration for funding.

Appendices

To be added over time (sample materials to include are noted below)

1. Brochures and advertising materials – in process, not attached
 - Value Framework - attached
 - Products and Services - Features and Benefits – attached
 - FAQs version 2 attached
2. Copies of leases and contracts – in process, not attached
3. Letters of Interest results / summary reports – not attached
4. Full financials
5. Pricing Methodology – attached
6. Communications Plan - attached
7. Value Framework – attached
8. Best Case Commitment Rates Calculations.xls – attached
9. PACeHR Pilot Sponsor Form - attached