

HEALTH IT IMPLICATIONS OF THE STIMULUS PACKAGE



OHIO HOSPITAL ASSOCIATION
Stimulus HIT Working Group
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Claire Turcotte
Bricker & Eckler LLP
9277 Centre Pointe Dr., Suite 100
West Chester, OH 45069
513-870-6700
cturcotte@bricker.com



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Health IT Implications of Stimulus Package

4 MAIN AREAS

→ 1. *Medicare and Medicaid Incentives to promote adoption of **certified EHR** in patient care and Medicare Penalties for Failure to use EHR*

2. Development of IT standards for nationwide electronic exchange and use of health information
3. Improvements in HIPAA privacy and security law to better protect protected health information
4. Funding for broadband network and infrastructure to promote information exchange and telemedicine in underserved areas





MEDICARE AND MEDICAID INCENTIVES TO ADOPT EHR

Significant Federal Funds

Total \$19 B



Net Medicare
Spending over 10
years

Office of National
Coordinator (ONC) for
grants, loans and
technical assistance to
develop IT and for
HIPAA enhancements
(\$2 B)

ONC now permanent
part of HHS



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¹ CBO estimates incentive payments will actually be \$30 B, with approximately \$12-13 B savings



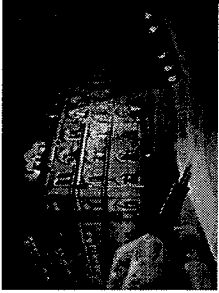
Office of National Coordinator for Health Information Technology

- **ONC responsible for creating nationwide health IT technology infrastructure to improve and coordinate care**
- **ONC directed to develop standards and certification criteria by year end 2009, and to coordinate health IT policies through a federal IT strategic plan**
- **Also established advisory committee Health Information Technology Policy Committee (to make policy recommendations to the NC on implementation of nationwide health IT infrastructure)**
- **HIT Standards Committee (to recommend to NC standards, implementation, specifications and certification criteria for electronic exchange and use of health IT)**



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Medicare and Medicaid Incentives to Adopt EHR

\$2 B in Appropriations For

- Health information Exchanges (HIE) Program for States - \$300 M
- State-based EHR Adoption Loan Programs
- National Health IT Research Center and Regional Centers to serve as a forum for exchanging knowledge and experience, disseminating best practices, and technical assistance to health networks
- Workforce Training Grants
 - Medical informatics programs
 - Integrating EHRs into medical school curricula
- Available now!



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Medicare and Medicaid Incentives to Adopt EHR

Overview of Incentives

HOSPITALS

- Available in FY 2011 for 5 years
- Payments Based on Medicare or Medicaid Share
- Must be CERTIFIED EHR
- Must Show "meaningful use" by 2015
- Medicare AND Medicaid Incentives (can collect BOTH)

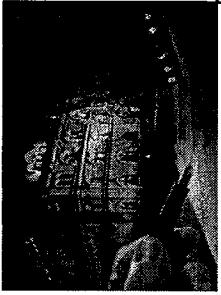
PHYSICIANS

- Available in FY 2011 for 5 years
- Payments Flat Amount
- Must Show "meaningful use" by 2014
- Must be CERTIFIED EHR
- Medicare OR Medicaid Incentives (if at least 30% Medicaid) (can't collect BOTH)



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Medicare and Medicaid Incentives to Adopt EHR

Congressional Budget Office Estimates

- Incentives will increase health IT adoption rates to 70% hospitals, and 90% physicians by 2019
- Without incentives, estimates were health IT adoption rate of 45% hospitals, and 65% physicians by 2019
- Savings \$12 B through reduced utilization

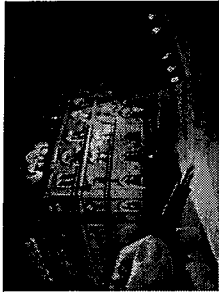




Medicare and Medicaid Incentives to Adopt EHR

- Hospital and Physician
Eligibility for Incentive Payments
- “Meaningful Use” in Year Qualify
- Must adopt CERTIFIED EHR Systems
 - Must implement core EHR System Functions, including CPOE
 - Must report on Clinical Quality Metrics
 - Not clear what metrics HHS will require
 - Must participate in Health Information Exchanges (HIE) to share data with other providers





Medicare and Medicaid Incentives to Adopt EHR

Schedule of Incentive Payments – Hospitals¹

- Hospital Incentive Payout in Year 1

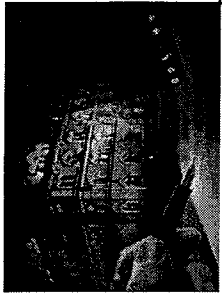
If Total Discharges < 1,150, Incentive = (\$2M)*Medicare share¹

If 1,150 < Total Discharges < 23,000, Incentive = (\$2M +
(\$200*(Total Discharges - 1150))*Medicare share²

If Total Discharges > 23,000, Incentive = (\$2M +
(\$0*(23000-1150))*Medicare share¹

- ¹ HHS will use the same formula to determine the hospital's incentive payments from Medicare and Medicaid, adjusted for the hospital's share of Medicare or Medicaid volumes
- ² Medicare Share = Total Medicare inpatient days/(total inpatient days * ((total charges – charity care charges)/total charges))





Medicare and Medicaid Incentives to Adopt EHR

Schedule of Incentive Payments – Hospitals

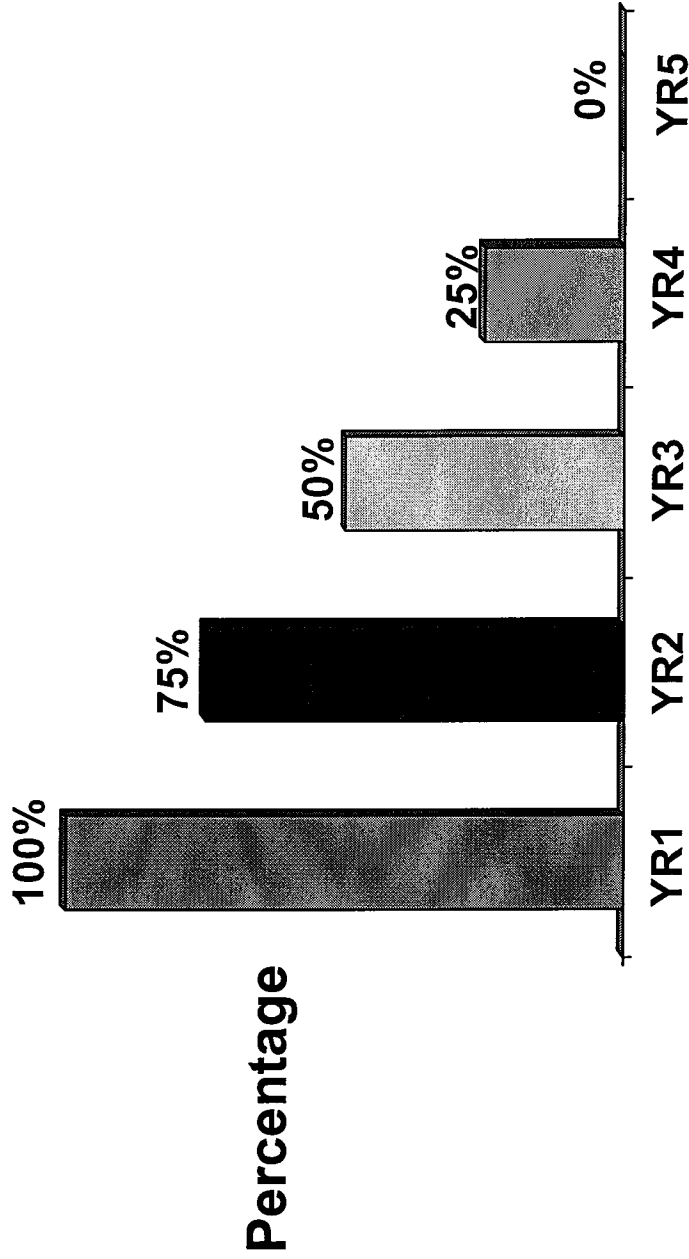
- Hospital Incentive Payout in Year 2 = 75% of Incentive Payout in Year 1
- Hospital Incentive Payout in Year 3 = 50% of Incentive Payout in Year 1
- Hospital Incentive Payout in Year 4 = 25% of Incentive Payout in Year 1
- Hospital Incentive Payout in Year 5 = 0

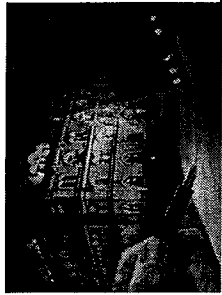




Medicare and Medicaid Incentives to Adopt EHR

Schedule of Incentive Payments – Hospitals





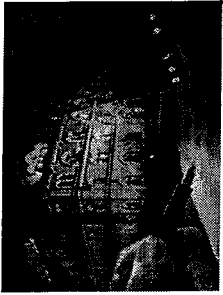
Medicare and Medicaid Incentives to Adopt EHR

Schedule of Incentive Payments – Hospitals

Note: Payment schedule only applies to hospitals demonstrating “meaningful use” starting in FY 2011-2013. Hospitals meeting eligibility criteria in FY 2014 will receive 3 years of payments starting at the 75% level, with 50% payout in year 2 and 25% payout in year 3. Similarly, hospitals meeting eligibility criteria in FY 2015 will receive only 2 years of payment starting at the 50% level, with a 25% payout in year 2



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Medicare and Medicaid Incentives to Adopt EHR

Schedule of Incentive Payments – Critical Access Hospitals

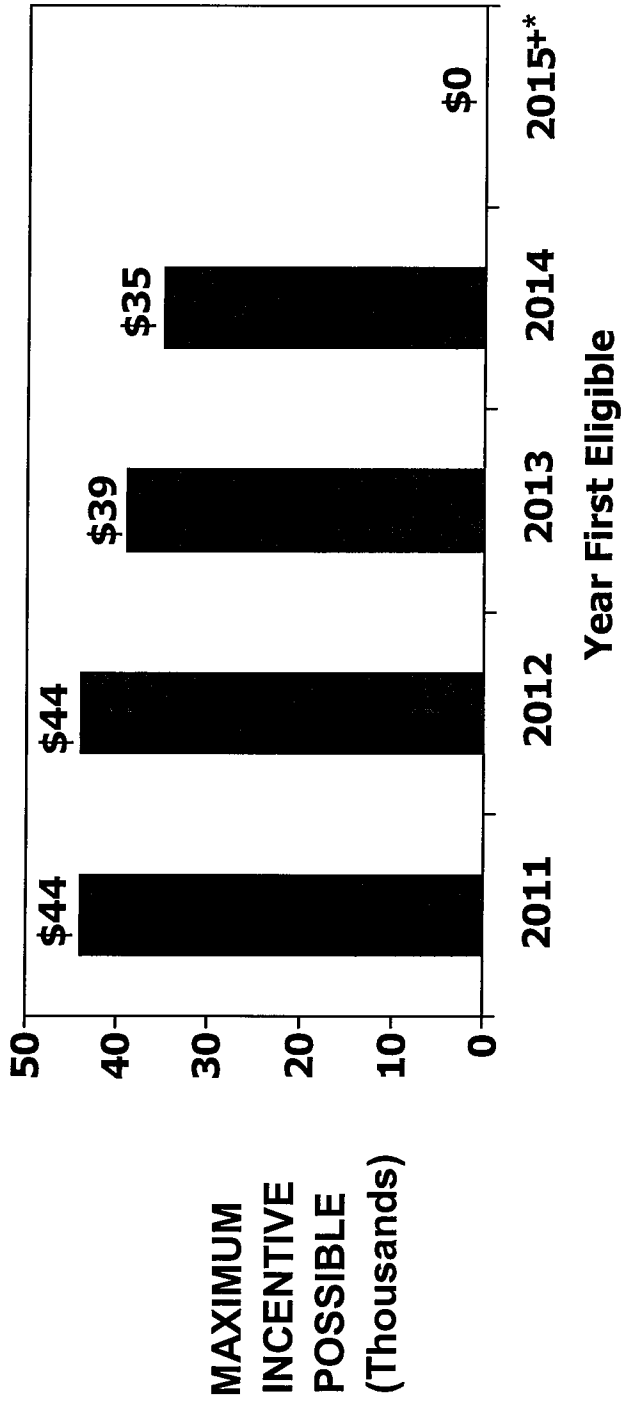
- 100% costs of certified EHR can be fully depreciated in first year costs incurred beginning in fiscal year 2011
- Medicare share for determining cost-based payment is increased (from share calculated for other hospitals) by 20 percentage points, not to exceed 100%
- No payments after 2015
- Can use formula for 4 years only





Medicare and Medicaid Incentives to Adopt EHR

Schedule of Medicare Incentive Payments – Physicians (Not Hospital-Based)



* No incentive payments beginning in 2017



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Medicare and Medicaid Incentives to Adopt EHR

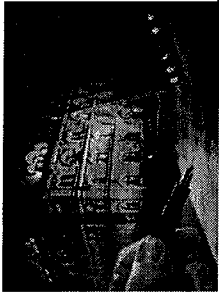
Schedule of Medicare Incentive Payments – Physicians

	2011	2012	2013	2014	2015+*
TOTAL	\$44,000	\$44,000	\$39,000	\$35,000	\$0
2016	0	\$2,000	\$4,000	\$8,000	\$0
2015	\$2,000	\$4,000	\$8,000	\$12,000	\$0
2014	\$4,000	\$8,000	\$12,000	\$15,000	-
2013	\$8,000	\$12,000	\$15,000	-	-
2012	\$12,000	\$18,000	-	-	-
2011	\$18,000	-	-	-	-

Date First Eligible

* Actual amounts based on 75% of allowed Medicare charges for professional services, as estimated by HHS based on claims submitted not more than 2 months after the payment year. Amounts increased 10% for physicians in shortage areas; no incentive payments beginning in 2017.





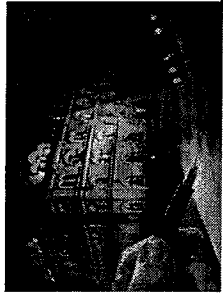
Medicare and Medicaid Incentives to Adopt EHR

Schedule of Medicaid¹ Payout Calculations and Schedule - Physicians

Eligible Provider	Medicaid Share	Percent Match/Limit	Ann. Limit Amount	Timing	Maximum Payout
Independent physician (except pediatricians)	>30%	85% of limit amount	<input type="checkbox"/> \$25,000 for 1 st year purchase <input type="checkbox"/> \$10,000 for operations, maintenance 5 years	Limited to \$75,000 over 5 years	~\$64,000 over 5 years
Pediatrician	>20%	85% of limit amount	<input type="checkbox"/> \$16,667 for purchase cost <input type="checkbox"/> \$6,667 for operations, maintenance	Limited to \$50,000 over 5 years	~\$43,000

¹ Requires must show more than 30% cases are Medicaid, except pediatricians only 20%.





Medicare and Medicaid Incentives to Adopt EHR

Schedule of Medicaid Payout Calculations and Schedule - Physicians

- “Meaningful use” for physicians includes e-prescribing requirement
- Physicians can collect incentives for “meaningful use” of health IT from either Medicare or Medicaid, not both; similarly, physicians being subsidized by hospitals may not collect Medicaid support for EHR purchase





How to Show “Meaningful Use”

Physicians and Hospitals

- Attestation
- Claims submitted with code indicating patient encounter documented using certified EHR technology
- Survey response
- In form and manner specified by HHS on clinical quality or other measures
- Other method specified by HHS





Medicare Penalties for Failure to Adopt EHR

- Hospitals that do not show “meaningful use” of EHRs will have reduced annual Medicare market basket beginning in 2015:
 - 2015 by 33%
 - 2016 by 66.7%
 - 2017 by 100% (entire basket eliminated)
 - Physicians* who do not use EHRs by 2015 will have their Medicare fee schedule reduced to:
 - 2015 – 99% (reduced by 1%)
 - 2016 – 98% (reduced by 2%)
 - 2017 – 97% (reduced by 3%)
 - Physician penalties greater than hospital penalties
- * Law authorizes HHS to impose further reductions by 2% starting in 2018 if physician adoption rates for EHRs remain below 75%

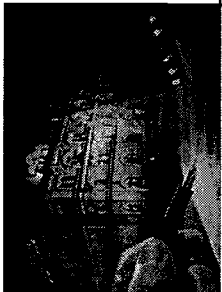




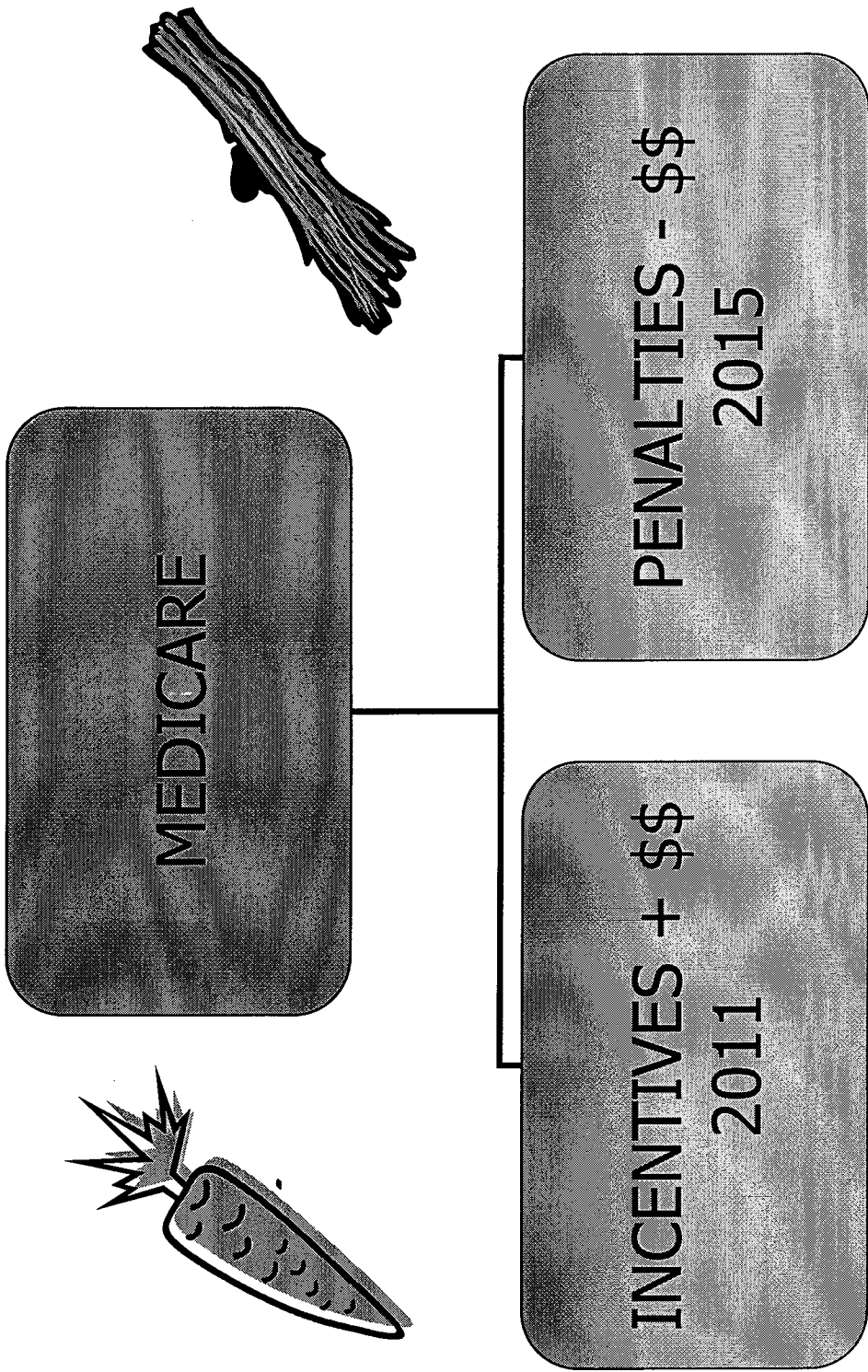
1. Medicare Penalties for Failure to Adopt EHR

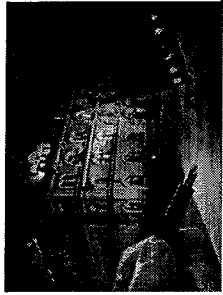
- Critical Access Hospitals that do not show “meaningful use” of EHRs will have reduced Medicare market basket beginning in 2015
 - 2015 reduced to 100.66%
 - 2016 reduced to 100.33%
 - 2017 reduced to 100%
- Is a hardship exemption from penalties for up to 5 years, as determined by HHS





Implications of Medicare Incentives and Penalties





Implications of Medicare Incentives and Penalties

What to Expect . . .

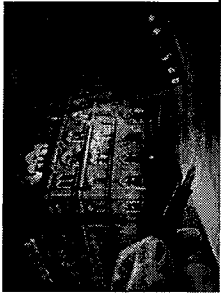
- Increased EHR adoption through 2009-10 to position hospitals and physicians to meet eligibility requirements for incentives by 2011
- Existing systems may not meet new electronic exchange requirements (e.g., probably will need CPOE¹)

¹Computerized physician order entry



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Implications of Medicare Incentives and Penalties

What to Expect . . .

- Vendors and hospitals/physicians must monitor certification requirements to ensure products are certified (by CCHIT or other organization assigned by ONC)
- Increased interest from physicians to obtain hospital donations toward physician office EHR adoption under Stark and Anti-kickback laws





Implications of Medicare Incentives and Penalties

What to Expect . . .

- Increased demand on hospital IT departments to rapidly deploy EHR and meet eligibility requirements for incentives and avoid penalties
- Increased IT reporting requirements to government (e.g., clinical quality metrics)
- Growth in Health Information Exchanges to enable hospitals to demonstrate ability to exchange health information electronically to qualify for incentives

