

HIT and the Stimulus

A CompTIA Whitepaper:

Public Policy

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Introduction

Information Technology (IT) is both an industry of its own and an element of every other industry. Many industries have adopted IT and seen sharp improvements in quality and efficiency. Unfortunately, the healthcare industry has been very slow to adopt IT in a meaningful way – until now. While hospitals and some practices use IT for billing or scheduling, few have adopted IT to organize the largest portion of their data: patient medical records. This CompTIA white paper will outline some of the many benefits of using an electronic medical record (EMR)¹ system and what has, thus far, impeded broad uptake. It also outlines health information technology (HIT) opportunities in the American Recovery and Reinvestment Act (ARRA), which was enacted in early 2009.

¹ Synonymous with “electronic health record” (EHR).

The following information is intended to provide resellers and IT service providers with background information to assist in working with healthcare providers and will be updated as necessary.

Benefits of HIT

HIT, and specifically EMRs, has been touted as hugely beneficial for healthcare providers, health insurance companies, and patients. While EMRs are not the only answer to America's healthcare issues, if used to their full potential, they do have the capability to positively transform the way that healthcare is delivered. Some of the many benefits include:

- **Greater efficiency for providers, payers, and patients:** The efficiencies gained through the digitization of other industries (*i.e.*, banking and financial services) stand to be gained in the healthcare industry as well. In financial services, this has enabled banking from home; in healthcare, this will ensure care that takes into account your entire medical history in the case of an emergency. Interoperable EMRs have the potential to improve communication between patients and physicians, improve accuracy of records, improve payment processing time, and improve the ratio of time spent on administrative duties versus patient care.
- **Improved data storage and accessibility with fewer errors:** Electronic record keeping systems cannot be misplaced like paper records; they include privacy protections to track who has accessed each file, and eliminate the risk of misreading poor penmanship or deteriorated paper records.
- **More information yields improved and safer care:** With more complete information, which takes into account treatments that another physician may be providing the same patient, a doctor can provide care that compliments those efforts rather than duplicating or undermining the other's efforts. Among other things, this helps to avoid adverse drug interactions.
- **Better history results in safer care without duplication:** Maintaining a complete history of a patient's allergies, labs, and imaging can help to avoid potentially dangerous prescriptions and costly duplicative testing.
- **Portability – especially following disasters:** The events surrounding Hurricane Katrina revealed a major flaw in paper records: they are easily lost or damaged. Patients whose records were maintained electronically on remote servers were able to

salvage their medical histories and continue with their care only minimally impacted at hospitals outside the region. Floods, fire, theft, and other disasters, plus risks resulting from the increased mobility of the average American family can threaten the continuity of patient care; electronic medical records saved on remote servers ensures that properly secured and stored EMRs better ensure the integrity of medical records.

Impediments to Broad Usage

Despite the vast benefits of integrating HIT into America's healthcare system, uptake has been relatively low among physicians and hospitals. Necessary start-up capital and ongoing maintenance costs can be high. Because individual physicians and hospitals must bear the cost within their practices, while payers (*i.e.*, patients, insurance companies, and employers) largely realize the cost savings, there is little financial incentive for physicians to transition to HIT. According to the Agency for Healthcare Research and Quality (AHRQ) within the Department of Health and Human Services, "The quantifiable benefits are projected to outweigh the investment costs. However, the predicted time needed to break even varied from three to as many as 13 years."²

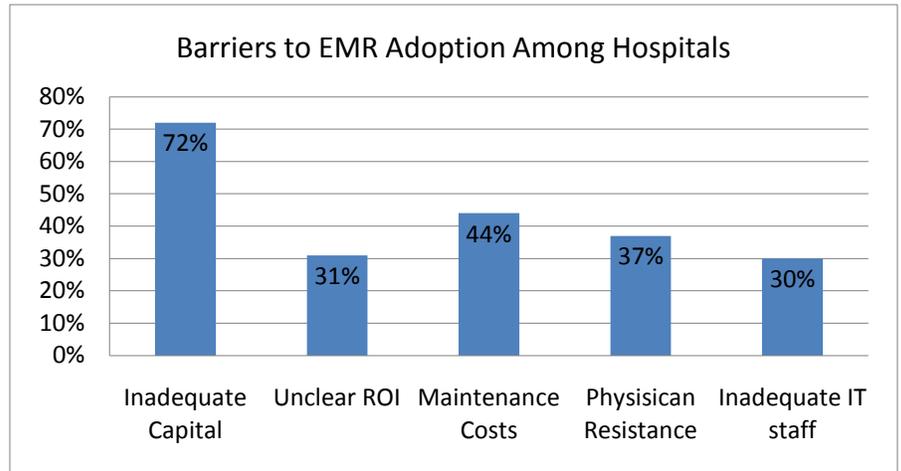
Beyond the purchase and maintenance costs of an EMR system, there are additional hidden costs. The time necessary to install a system, train employees, and become proficient at working with the new system all translate into additional costs for a physician. Moreover, an EMR system is frequently more than an electronic version of an old paper process; practices must be willing to change their old work flow and allow time to acclimate to the new administrative procedures. While an EMR system can speed the administrative aspects of healthcare, it may take a while for a staff to become accustomed to the new system. During this learning curve, potentially fewer patients will be seen, temporarily reducing income.

According to the Robert Wood Johnson Foundation, the major barriers to adoption for hospitals without EMRs include inadequate capital for purchase, unclear return-on-investment, maintenance cost, physician resistance, and inadequate IT staff.³

² <http://www.ahrq.gov/downloads/pub/evidence/pdf/hitsyscosts/hitsys.pdf>

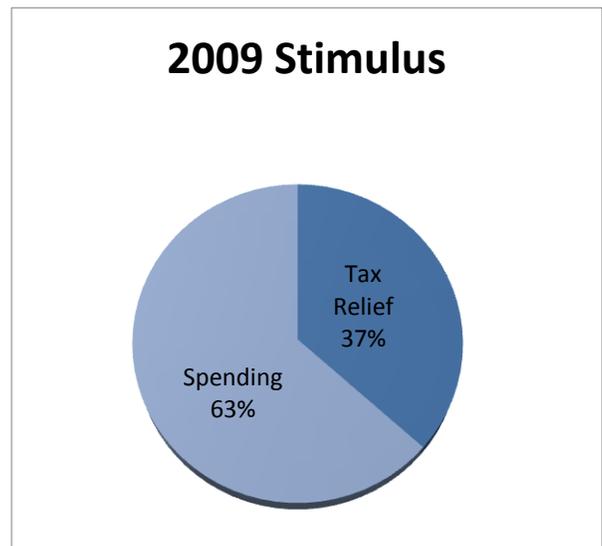
³ <http://www.rwjf.org/files/research/hitfullreport.pdf>

Between high costs and benefits not realized by those required to make the investment, a human tendency to fear change, and limited staff resources, the healthcare industry has dramatically lagged in transitioning to the digital era – and the cost and quality of healthcare have suffered as a result.



American Recovery and Reinvestment Act Overview

To address the economic crisis resulting from the financial market meltdown, Congress, in conjunction with President Obama’s administration, developed legislation – H.R. 1, the American Recovery and Reinvestment Act – to stimulate the economy. It was signed into law on February 17, 2009 and had a price tag of \$787 billion. This included \$288 billion in tax relief for businesses and individuals, and \$499 billion in spending. Spending provisions ranged from “shovel ready” transportation construction projects to broadband deployment grants to funding for the States’ education systems to incentives for physician use of HIT.



HIT Opportunities for Physicians and Hospitals in ARRA

Within the vast stimulus bill, Congress also included language from the Health Information Technology for Economic and Clinical Health Act (HITECH ACT), which was originally drafted as a free-standing bill to encourage the uptake of electronic medical records and other HIT.

In an attempt to encourage HIT utilization, the law:

- Codifies the Office of the National Coordinator for Health Information Technology (ONCHIT);
- Establishes grant and loan programs;
- Legislates privacy policies;
- Incentivizes healthcare professionals and hospitals to utilize electronic health records through Medicare and Medicaid bonuses;
- Establishes two advisory committees on standards and policy; and,
- Creates technical assistance programs.

The HIT funding through the stimulus includes \$2 billion in immediate, discretionary funding for the Office of the National Coordinator and an estimated \$29 billion to be paid out through Medicare and Medicaid incentives. Provisions to penalize non-adopters through decreased Medicare reimbursement are also estimated to creating savings for the Federal Treasury; the total estimated budget impact is approximately \$19 billion.

Of greatest interest to CompTIA members is the Medicare reimbursement bonus for physicians who utilize electronic medical records. This incentive goes into effect in 2011; physicians and hospitals engaged in “meaningful use” of electronic medical records at that time can apply for the bonus Medicare reimbursement (more on “meaningful use” below). Each physician in a practice can qualify for up to \$44,000 and hospitals can qualify for up to \$16 million. This is not a “direct reimbursement;” regardless of whether a physician spends \$10,000 or \$100,000 on an EMR system, the incentive remains the same. It will be added to their reimbursement for providing care to Medicare patients. Similarly, this bonus is not dependent upon when an EMR system is purchased. Physicians that have been utilizing EMRs for five years will qualify for the same bonus as physicians that plan to implement an EMR system in the first quarter of 2011.

There is a rolling start date on the Medicare bonus structure. Physicians that begin reporting EMR use in 2011 or 2012 qualify for \$18,000 in their first year of reporting; physicians that begin reporting in 2013, 2014, or 2015 qualify for \$15,000 in their first year. All physicians qualify for \$12,000 in their second year, \$8,000 in their third year, \$4,000 in their fourth year, and \$2,000 in their fifth year.

Calendar Start	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
2011	\$18	\$12	\$8	\$4	\$2					\$44
2012		\$18	\$12	\$8	\$4	\$2				\$44
2013			\$15	\$12	\$8	\$4	\$2			\$41
2014				\$15	\$12	\$8	\$4	\$2		\$41
2015					\$15	\$12	\$8	\$4	\$2	\$41

* Thousands of dollars

Beginning in 2015, physicians who do not utilize EMRs will begin to see cuts in their Medicare reimbursements. There will be a 1% cut in 2015, 2% in 2016, and 3% in 2017. After 2017, the cut may be increased above 3%.

Individual physicians who report “meaningful use” of electronic medical records will receive the bonuses directly. As such, each physician within a practice is eligible for the reimbursement. There is no funding directly available for resellers or service providers. While this is not a direct business opportunity for CompTIA members, their customers who have not yet transitioned to EMRs will be looking for resellers and service providers that can assist them in doing so.

Hospitals are also eligible for increased Medicare reimbursements for “meaningful use” of EMRs, though there are slightly different requirements and formulas for Acute Care Hospitals⁴ and Critical Access Hospitals⁵.

Like individual physicians, Acute Care Hospitals must demonstrate “meaningful use” of EMRs in treating Medicare patients, beginning in 2011, to qualify; payments may be received for up to four years, for an estimated total of \$11 million for the nation’s largest hospitals. The reimbursement involves a complicated formula that takes into account total discharged patients,

⁴ Acute Care Hospitals focus on short-term care for severe disease, injury, or surgery recovery. The goal is to discharge the patient as soon as he or she is deemed healthy and stable, with appropriate discharge instructions. The term is generally associated with care rendered in an emergency department, ambulatory care clinic, or other short-term stay facility.

⁵ Critical Access Hospitals (CAHs) are acute care hospitals that are certified to receive cost-based reimbursement from Medicare. The reimbursement that CAHs receive is intended to improve their financial performance and thereby reduce hospital closures. CAHs are certified under a different set of Medicare Conditions of Participation that are more flexible than the acute care hospital CoPs.

total inpatient days, and revenue, among other factors. Acute Care Hospitals adopting after 2013 would receive reduced payments. Starting in 2015, Acute Care Hospitals that are not meeting the “meaningful use” of EMR criteria will see cuts to their Medicare reimbursements.

Under ARRA, Critical Access Hospitals that “meaningfully use” EMRs may fully depreciate their certified EMR costs in their taxes starting in 2011; this creates an opportunity for them to front-load the benefits of depreciation. There is also a slightly different formula for Medicare to determine the bonus and Critical Access Hospitals can claim a greater portion of their EMR costs. Like Acute Care Hospitals, Critical Access Hospitals are subject to Medicare reimbursement cuts beginning in 2015 for failing to use EMRs.

Status of Implementation

In order to qualify for Medicare reimbursements, physicians must demonstrate “meaningful use” of electronic medical records. However, “meaningful use” is not defined in the legislation. The Policy Committee, established under the HITECH provisions of the stimulus, has sent recommendations for the “meaningful use” definition to the National Coordinator of HIT; the final rule was published in the Federal Register in January 2010 and requires that approximately 30 criteria be met. Standards require physicians to use EMR systems that have the capability to include patient demographic and clinical health information, such as medical history and problem lists. Eligible hospitals and physicians must use EMR systems that also have the capacity to:

- Provide clinical decision support;
- Support physician order entry;
- Capture and query information relevant to healthcare quality;
- Exchange electronic information with, and integrate such information from, other sources;
- Include Computer Provider Order Entry (CPOE) for orders ranging from medications to lab tests, radiology and imaging to physical, occupational, respiratory, and rehabilitation therapies; and,
- Electronically prescribe medications.

Certification of Products

Much of the definition of “meaningful use” will be invisible to physicians because they must use products approved by the Certification Commission for HIT (CCHIT) as a prerequisite to qualifying for the Medicare bonus. CCHIT is currently the only certifying body permitted by the National Coordinator for HIT to approve EMR systems to fulfill the requirements of “meaningful use” and the stimulus. Although a physician must actually use the functions mandated through the definition, finding products that include that capability is made easier by consulting approved product lists from CCHIT.

CCHIT has already begun certifying products based on draft rule definitions of “meaningful use.” Upon finalization of the “meaningful use” definition, CCHIT will offer follow-up analysis of currently approved products to ensure that they are in compliance. This permits physicians to begin EMR utilization now with less risk to their investment. Additionally, CCHIT has begun modular certification of products. This will allow physician that are currently using products that fulfill some elements of the requirements to purchase supplemental products rather than purchasing a new, comprehensive product. This also creates an opportunity for resellers to install a suite of approved products that best addresses a client’s situation. CompTIA members may check the CCHIT website for approved products. Additionally, we recommend that channel providers check with their vendors and distributors for information about upcoming products and products still undergoing the certification process.

Additional Opportunities for HIT Funding Assistance

Beyond the Medicare reimbursements within the stimulus, additional legislation has been developed to encourage and incentivize HIT adoption. Since the beginning of 2009, Medicare offers physician payment bonuses of up to 2% for using e-prescribing technologies/processes in 2009 and 2010, with this amount declining slightly over the next three years. Payments for 2009 will be received by practices in 2010. This bonus is in addition to the separate 2% bonus, which can be earned under Medicare’s Physician Quality Reporting Initiative. Physicians who do not adopt e-prescribing technologies will receive reduced Medicare payments, up to 2% annually, beginning in 2014.

To help facilitate small practitioners’ ability to afford HIT systems, legislation has been developed to provide loan guarantees through the Small Business Administration. H.R. 3014,

which was passed by the House of Representatives on November 18, 2009, would allow the Small Business Administration (SBA) to guarantee loans for up to 90% for the acquisition of HIT systems by small business health practitioners. The max loan amount is the lesser of \$350,000 for any single qualified eligible professional, or \$2,000,000 with respect to a single group of affiliated, qualified, eligible professionals.

This same provision was previously passed in the House of Representatives on October 29, 2009 as a provision within H.R. 3854, the “Small Business Financing and Investment Act of 2009.” This bill has been referred to the Senate Small Business Committee. Timing of action on either bill is uncertain; this white paper will be updated when the loan guarantees are available.

Steps to Take Now

Although the Medicare reimbursement bonus for “meaningful use” of EMRs does not go into effect until 2011, VARs and service providers should lay the groundwork now to take full advantage of this sales opportunity.

- **Reach out to potential new customers:** Many physicians and small practices are aware that there were incentives for HIT use included in the stimulus, but few know the details. Visit Medicare’s website to find physicians in your area that will qualify for the Medicare bonus.
- **Encourage your current healthcare customers to adopt now:** While physicians have until 2015 to avoid penalties for not using EMRs, there are larger bonuses for earlier use; encourage early adoption. Additionally, there are Medicare bonuses currently available for physicians that electronically prescribe medication; this may be their first step toward full HIT integration.
- **Research certified system:** Educate yourself on products approved by the CCHIT. This will better enable you to create a solution that best fits your customers’ needs.

Conclusion

The CompTIA Public Policy department has long advocated for incentives that will encourage adoption of HIT, and specifically, incentives that provide an opportunity for our members. While this is just the first step towards ubiquitous HIT, the EMR provisions within the stimulus are a large and positive step. We will continue to advocate for policies that protect the industry and encourage its growth.

Resources

- **CompTIA:** <http://www.comptia.org/publicpolicy/us/healthcare/archive.aspx>
- **CCHIT:** <http://www.cchit.org/>
- **ONCHIT:** <http://healthit.hhs.gov/>
- **SBA:** <http://sba.gov/>
- **Medicare physician search:**
<http://www.medicare.gov/Physician/Search/PhysicianSearch.asp>

About CompTIA

The Computing Technology Industry Association (CompTIA) is the voice of the world's information technology (IT) industry. Its members are the companies at the forefront of innovation; and the professionals responsible for maximizing the benefits organizations receive from their investments in technology. CompTIA is dedicated to advancing industry growth through its educational programs, market research, networking events, professional certifications and public policy advocacy. For more information, please visit www.comptia.org.

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