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Inside the stimulus package: Cash for using electronic health records

Here comes an incentive from the Feds to adopt EHR for your practice (quickly!) if you see Medicare or Medicaid patients

It's no longer news—this past February 17, President Barack Obama signed a $787 billion economic stimulus package—the American Recovery and Reinvestment Act of 2009—into law.[1,2] But did you know that, of the approximately $150 billion in the Act allocated for health care, $19.2 billion is for health-care information technology, including $17 billion earmarked for incentive payments to hospitals and physicians for adopting electronic health records (EHR)?

In 2004, President George W. Bush set a goal of having a majority of US physicians using EHR within 10 years. But the march to get there has been at a snail's pace: By July 2008, only 13% of physicians were using a basic EHR system and barely a third of those adopters—that's only 4% percent of all physicians—had an extensive, fully functional EHR.[3]

The stimulus legislation dangles a carrot in front of providers for using EHR, but that's not all the news: In the near future, the Act will also begin wielding a stick. Here's an explanation of the situation, and how your practice may benefit—or be pinched—if you see Medicare or Medicaid patients.

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First, what isn't true

Sorry—contrary to the belief (and expectations) of many physicians, the Federal government isn't going to pay for your purchase of an EHR system. Instead, an incentive payment will be made to physicians who have demonstrated "meaningful use" of a certified EHR. But what does that mean?

First, only one EHR certifying body is recognized today: CCHIT, the Certification Commission for Healthcare Information Technology. It's unclear what certification standards the Office of the National Coordinator for Health Information Technology (ONCHIT)—an agency of the US Department of Health and Human Services (HHS)—will set for the future.

Second, under current standards of the Act, "meaningful use" comprises three functions of an EHR application:

- **e-prescribing** that meets the standards of HHS
- **connectivity to other providers** for full access to a patient's history
- the ability to report **the use of technology to HHS**.[4]

The incentive is based on **the percentage of Medicare and Medicaid patients who receive care from a recipient physician**. A physician who accepts Medicare assignment for her (his) patients can receive an incentive **as high as $44,000** over 5 years. Physicians who provide care to Medicaid patients that represents more than 30% of their practice can receive **as much as $64,000**, again, over 5 years.[4,5] See "Key dates and calculations for the Federal EHR incentive."

Key dates and calculations for the Federal EHR incentive

If you're a Medicare participant ...

Incentive money will become available in 2011. To qualify, you must demonstrate use of EHR—according to criteria to be established—in the prior year. But it's uncertain whether "in the prior year" will be defined as December 2010, the previous quarter (October through December 2010), or the previous 12 months. Moreover, it's likely that HHS will require attestation, from the practice and the EHR vendor, that the provider is adhering to the three criteria of "meaningful use."

The Act establishes the value of the incentive under Medicare. A practice that qualifies for a payment in 2011—the first year of the program—will receive $18,000 for each qualifying physician, to a total of $44,000 through 2015. For a practice that does not qualify until 2012—Year 2—there will be a drop of $2,000 in the incentive for that delay.

A delay in adopting EHR beyond 2012 carries even greater financial penalty. For a practice that does not qualify until 2013, total payment is $39,000; for one that first qualifies in 2014, total payment is $24,000.

... or a Medicaid participant

The incentive will be paid according to a formula based on the mix of Medicaid patients in a practice; the amount that can be expected, therefore, isn't yet defined.

Presto! The carrot becomes a stick

These cash carrots to adopt EHR diminish from 2011 through 2016. But the "sticks" to incentivize you to adopt EHR don't wait until 2016—they become effective in 2015. Practices that are not using a certified EHR will incur a 1% reduction in Medicare reimbursement in 2015 with an additional 1% reduction in 2016 and again in 2017. The Secretary of HHS has discretion to impose an **additional 2% reimbursement reduction** in 2018 if 75% of physicians who accept Medicare are not using EHR.

What does this mean for your practice?

If you do not see Medicare patients, or if fewer than 30% of your patients are Medicaid patients, there is no rush to adopt EHR: You won't receive any stimulus money for doing so. But if you do meet either of those qualifying criteria, **there is urgency**—you will lose money by delaying. For a practice that receives $44,000 in stimulus money because it qualifies under Medicare ($64,000 under Medicaid), that incentive will offset much of the cost of adopting EHR.

But such economic urgency begs the question, in my opinion. Today, EHR applications can streamline the workflow and operations of a practice. They can improve the quality of the care that you provide, return at least three times the cost of ownership (in my experience, working with numerous medical practices that use EHR), and calm the frenetic pace of your working day. Applications are robust, turning a practice "paperless" over 18 to 24 months.

The Bush baton is passed to Obama. Stand clear!

There's no doubt: The Obama administration intends to realize the goal set by President George W. Bush to drive near-universal adoption of EHR by 2014.

True, little was accomplished to achieve that goal from 2004 through 2008. Why not? Was the physician community to blame? Yes, in part, because:

- many physicians were waiting—

for the Federal government to pay them for their purchase of EHR or to give them a government-developed EHR
- Physicians are resistant to change—many insist that they are more efficient and productive in a paper-based system
- Physicians have claimed that EHR applications lack features that enable a "paperless" practice
- Physicians have complained about the expense of EHR applications.

Many pebbles, many ripples are likely

The Federal government won't be the only driving force in EHR—so will academic medical centers, health-care systems, community hospitals, and large physician networks. They'll do so through implementation of so-called enterprise systems that are linked to private-practice EHR applications.

Last, take note that reimbursement schemes introduced by the Centers for Medicare & Medicaid Services (CMS) are quickly adopted by private insurance payers. Some physicians already see a decrease in premiums for their professional liability insurance because they use EHR.

I strongly believe that, for a number of reasons that make medical and management sense in a practice, now is the time to adopt EHR. Incentives offered by this year's stimulus Act are just one more reason.

References

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