

Financial Incentives for Physicians to Adopt new Electronic Health Records

The recently passed American Recovery & Reinvestment Act (ARRA) included a significant appropriation, titled the Health Information Technology (HITECH) Act, to incentivize physicians to install Electronic Health Records (EHRs) in their offices. The goals of the ARRA for Health Information Technology and the use of EHRs by physicians are to:

- Improve the quality of healthcare throughout the US by reducing the number of medical errors due to missing patient information.
- Reduce the overall cost of healthcare in the US by decreasing the amount of administrative and redundant paperwork.
- Increasing administrative efficiencies across the US healthcare system through interoperable information systems.
- Improve early detection of disease outbreaks and support chronic disease management initiatives.
- Allow patients to maintain and share their health records with their physicians and providers in a secure way.
- Allow physicians and other providers to have ready access to a patient's complete health information in a standard and secure electronic format to support both medical decision-making and payment purposes.

The HITECH Act includes an appropriation of more than \$19 billion to be made available to qualifying physicians or healthcare providers that will take the form of increased reimbursements from the federal Medicare and Medicaid programs beginning in 2011. The HITECH Act will offer a unique opportunity for physicians across the country to install an EHR system in their offices at perhaps zero cost; in some cases the financial incentive may even exceed the implementation cost, resulting in a net financial benefit to qualifying physicians.

The key provision of the HITECH Act indicates that physicians who utilize a certified EHR in a "meaningful" way will be eligible to receive incentive payments in the form of additional reimbursements through their billing to either Medicare or Medicaid programs. Physicians seeing at least 40% of their practice payer mix for Medicare or physicians seeing at least 30% of their practice payer mix for Medicaid will be eligible for the incentive payments. Key highlights of the incentive reimbursements include:

- Beginning in 2011, physicians who utilize EHRs in a "meaningful" way will be eligible to earn \$44,000 under the Medicare plan or \$64,000 under the Medicaid plan over a five-year period (see table below for breakdown of reimbursements per year for the Medicare incentive program). Note: physicians will not be eligible to obtain incentive payments from both Medicare and Medicaid.
- Hospitals will be eligible to receive a base payment of up to \$2 million initially. Additional incentives will be available according to a formula based on discharges, year of adoption, etc., with payments capped at \$6 million. The formal payment schedule for the hospital incentives has not yet been fully developed.
- Physicians who begin utilizing EHRs quickly (early adopters) stand to benefit the most because approximately 70% of eligible reimbursement payments will be made in the first two years.
- Physicians who utilize EHRs for patient quality management efforts and electronic prescribing will be able to earn an additional \$6,000 - \$8,000 per year

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- Physicians who do not adopt usage of EHRs by 2015 will be subject to penalties in their Medicare reimbursement rates – a 1% reduction in Medicare fees per year, up to 3% by 2017.

Depending on when a physician moves to an EHR system, the timing and amount of incentive payments may vary. The table below reflects a physician who is a current user of a certified EHR system, and who's incentive payment from Medicare in 2011 will be \$18,000 and total \$44,000 at the end of 2015. However, if a physician waits until 2013 to implement an EHR, he or she will be eligible to receive only \$15,000 in that year, and a total of \$39,000.

Incentive Payment	Current EHR User	Implement 2011	Implement 2012	Implement 2013	Implement 2014
2011	\$18,000	\$18,000	-	-	-
2012	\$12,000	\$12,000	\$18,000	-	-
2013	\$8,000	\$8,000	\$12,000	\$15,000	-
2014	\$4,000	\$4,000	\$8,000	\$12,000	\$15,000
2015	\$2,000	\$2,000	\$4,000	\$8,000	\$12,000
2016	-	-	\$2,000	\$4,000	\$8,000
Total	\$44,000	\$44,000	\$44,000	\$39,000	\$35,000

Physicians with caseloads that include at least 30% Medicaid patients will be eligible to receive up to \$64,000 over the course of the five-year incentive program, but the exact payment schedule has not yet been determined.

The definitions of “meaningful” ways are still being developed by the various legislative committees that sponsored the HITECH Act, but initial guidance includes:

- Using certified EHR technology that includes the ability to conduct electronic prescribing.
- Using EHR technology that allows electronic exchange of health information amongst other providers and healthcare entities – subject to the same security and privacy standards for protected health information (PHI) afforded by the Health Insurance Portability and Accountability Act (HIPAA).
- Physicians will need to submit information for a specified time period (initially identified as 12 months) regarding clinical quality measures and other measures selected by the Secretary of Department of Health and Human Services.

For physicians and providers who currently utilize an EHR, especially those who have been certified by the Certification Committee for Healthcare Information Technology (CCHIT), they are likely to be eligible to receive the full benefit of the incentives once payments begin in 2011. These physicians and their practice management staff should continue to monitor the definition of “meaningful” use and what will be required to demonstrate this during the reimbursement period. It is likely that the system vendors supporting these existing EHRs will be in contact with their respective physician clients to share new reporting tools as the incentive payment business rules are made available by the DHHS and Medicare/Medicaid.

For physicians who do not currently utilize an EHR in their practice, it is important to begin planning activities very soon. The Congressional Budget Office has estimated

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that only 20% - 30% of the eligible physicians have implemented an EHR system and that 90% of physicians will be using an EHR in the coming years. The number of physicians who will be working on implementing EHRs will be significant and many vendors (even prior to the HITECH Act) have waiting lists between three to six months to get on their implementation calendars. For physicians who wait, there will be little ability to qualify as an early adopter and thus be eligible for the full incentive reimbursement.

Physicians should begin assessing the impact and opportunities of the HITECH Act on their practices and should contact their current practice management system vendor to determine the capabilities of their systems to meet the EHR requirements. If a new EHR is required, physicians and their practice managers should identify a timeline and approach to contact possible system vendors and determine how best to select a certified EHR that will optimize their operations. Additionally, physicians will need to consider an implementation plan to manage their activities as the new EHR system is installed and the provisions to transition their current paper records to the new electronic format. These activities can be time-consuming and reduce the amount of time that physicians spend with their patients, so careful planning should be a top consideration.