

Health Information Technology – Fact Sheet

There is broad consensus that Health Information Technology (HIT) and Electronic Health Records (EHRs) have the potential to improve quality of health care, the health of populations, and the efficiency and effectiveness of health care providers and health care systems. As part of the health reform plan, the Obama administration has set a goal of computerizing all of America's medical records within 5 years as a means of improving efficiency, quality, and safety. The Recovery Act of 2009 invests \$19 billion in the development and implementation of HIT, which will provide incentive payments to physicians and hospitals starting in 2011 for using a certified EHR. The Recovery Act also provides subsidies to physicians and hospitals to purchase and implement EHRs.

The Problem

American doctors spend 30% of their time on administrative tasks that are not directly related to patient care. Moreover, physicians and hospitals must invest in a number of ancillary staff charged with managing the maze of requirements created by different insurers. The implementation of Electronic Health Records has the potential to streamline charting, patient follow-up, and billing. This technology will also reduce medical errors and unnecessary duplication of diagnostic tests.

However, US physicians and hospitals have been slow to adopt HIT. Recent studies show that only 17% of physicians currently have even basic EHRs. Furthermore, less than 2% of acute care hospitals have comprehensive electronic records systems, and 8% of hospitals have a basic electronic records system. There are significant barriers to the adoption of EHRs, including their substantial cost, the technical and logistic challenges in installing, maintaining, and updating them, concerns about privacy and security of the information, and a perceived lack of financial return from the investment from the physician community.

The Promise of Health Information Technology

When fully implemented, health information technology will allow comprehensive management of medical information and its secure exchange between patients, physicians, and other health care providers. An investment in health IT has the potential to help:

- Improve the quality of health care
- Reduce medical errors
- Decrease health care costs
- Eliminate unnecessary duplication of tests
- Increase administrative efficiencies
- Decrease paperwork
- Expand access to affordable care

There are also numerous public health benefits that arise from broad implementation of health IT, including:

- Evaluation of health care quality, efficacy, and value
- Early detection of infectious disease outbreaks around the country
- Improved tracking of chronic disease management

The Investment in Health IT: The Recovery Act of 2009

The American Recovery and Reinvestment Act of 2009 (ARRA), provides \$19 billion over 10 years to promote the adoption and use of health information technology and electronic health records. This represents nearly four times the total expenditures in 2007 for the *entire* EHR market for each of the next five years. In addition, the stimulus bill expands the leadership structure which will guide federal HIT policy with the Office of the National Coordinator of Health Information Technology (ONCHIT) within the department of HHS. This includes \$2 billion for ONCHIT, which represents an eight-fold increase in annual spending over the next five years.

The Recovery Act provides \$17 billion in financial incentives for physicians and hospitals to adopt and use health EHRs. Specifically:

For physicians:

- Beginning in 2011, individual physicians can receive extra Medicare payments for the *meaningful use of a certified* EHR that can communicate with other parts of the health care system.
- Physicians who adopt EHRs in 2011 or 2012 will receive direct payments of \$18,000 in the first year. Physicians who adopt EHRs in 2013 will receive at least \$15,000, with gradually decreasing incentives until 2016.
- In total, physicians who demonstrate meaningful use of EHRs starting in 2011 can collect \$44,000 over 5 years. Those who begin in 2013 can collect \$27,000 over 3 years. Current estimates of purchasing, installing, and implementing an EHR in a medical office has been estimated to cost \$40,000.
- For physicians who take care of 30% or more Medicaid patients, there are alternative subsidies through Medicaid, though physicians must choose between Medicaid and Medicare benefits
- Incentive payments may also be aggregated and paid as a lump sum to staff-model or exclusive group-model Medicare Advantage HMOs.
- There will also be financial penalties for not adopting EHRs in the next five years. In 2015, physicians who are not using EHRs will lose 1% of their Medicare fees, which will increase to 2% in 2016 and 3% in 2017.

For hospitals:

- Hospitals demonstrating meaningful use of EHRs in 2011 will receive a one-time bonus of \$2 million plus and an add on to Medicare DRG payments, which would apply to every admission (up to a designated maximum), and then phase out over a 4 year period
- Hospitals may opt for a Medicaid incentive program instead of Medicare payments.
- Hospitals will face penalties for not using EHRs by 2015 in the form of cuts from Medicare payments.

The Recovery Act also provides additional support for implementation of HIT:

- \$2 billion for ONCHIT to put HIT support systems in place
- \$300 million to support the development of health information exchange capabilities
- Grants to create regional technology centers to help physicians and hospitals install EHRs
- Funds to train a workforce to assist with HIT implementation
- Educational programs for medical students
- Grants and loans to states to assist with adoption and interoperability

Finally, the Recovery Act has provisions that will help strengthen protections of health care information:

- Extends privacy and security regulations of HIPAA to businesses such as Google and Microsoft, who have created their own Personal Health Records
- Requires health care organizations to notify patients when patient data have been compromised
- Limits commercial use of information

Remaining Issues and Unanswered Questions

- The terms “certified EHR” and “meaningful use” have yet to be defined, and these definitions will have significant impact on physicians and hospitals
- The infrastructure for the development and implementation of health IT will need to be in place well before the 2011 start of the incentives program
- The Health IT incentives need to be accompanied by payment reform so that improvements to quality via EHRs get rewarded
- There need to be clear provisions for the delivery of incentives to physicians who participate in physician groups, medical groups, and independent practice associations.

Selected References:

“Stimulating the Adoption of Health Information Technology” David Blumenthal, The New England Journal of Medicine, April 9, 2009.
“Use of Electronic Health Records in U.S. Hospitals”, Ashish K. Jha et al, The New England Journal of Medicine, April 16, 2009.
Office of the National Coordinator for Health Information Technology: <http://healthit.hhs.gov/>