



Healthcare Reform and the ARRA

May 20, 2009

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Executive Vice President, Chief Medical Officer

- **Expand coverage – To cover 47M uninsured**
 - Creation of a National Health Exchange and a new public insurance plan
 - Expanded Medicare and Medicaid eligibility
 - “Pay or Play” mandate for employers
 - Fund through tax cut eliminations, subsidies, and gains from use of IT
- **Improve Quality – To reduce medical errors and delivery system waste**
 - Mandate reporting on cost and quality measures
 - Modernize health IT through electronic medical records
 - Reimburse based on quality outcomes
 - Research evidence-based medicine
- **Update regulations – To set system wide standards for insurance and quality**
 - Require comprehensive coverage despite pre-existing conditions
 - Require preventative, maternity, and mental health coverage
 - Form “Federal Health Board” to enforce standards
- **Emphasize public health issues – To improve population health**

2009 Healthcare Reform Landscape

Legislation	Major Healthcare Objectives	Status
Children's Health Insurance Reauthorization Act (CHIPRA)	Coverage for families who earn too much to qualify for government support through Medicaid but cannot afford private insurance may qualify for SCHIP	Enacted 2/4/2009
American Recovery and Reinvestment Act of 2009	Economic stimulus that includes the HITECH Act funding health information technology through incentives for EHR adoption, HIE planning and implementation, comparative effectiveness and other research	Enacted 2/17/2009
Health Insurance Reform	Provide coverage to all Americans	Pre-deliberation stage Senate Finance Committee markup in June
2010 Budget Resolution	<ul style="list-style-type: none"> • Annual government budget appropriations • Will probably pass a \$3.5 trillion budget that will include reconciliation provisions that will enable Democrats to pass their health reform legislation with just 51 votes, not 60 usually needed to pass major bills in the upper chamber. 	Under debate as of 4/27/2009
Health Information Technology Public Utility Act of 2009 (S890)	<ul style="list-style-type: none"> • Creates a new federal Public Utility Board to oversee formation of this HIT Public Utility Model • New Health IT Grant program for safety-net providers • Facilitate ongoing communication with open source user groups. • Ensure interoperability between these programs. • Create a child-specific Electronic Health Record (EHR) to be used in Medicaid, CHIP, and other federal children's health programs. 	Introduced 4/23/2009 by Senator Rockefeller from WV
The Medicare Telehealth Enhancement Act HR 2068	To improve the provision of telehealth services under the Medicare Program, to provide grants for the development of telehealth networks, and for other purposes	Introduced 4/23/2009 by Representative Thompson from CA

Healthcare Spending in the ARRA

- \$86.6 billion for state Medicaid programs
- \$39 billion to extend healthcare coverage to unemployed
- \$24.7 billion in COBRA subsidies
- \$19.2 billion to expand and modernize health IT
- \$10 billion to NIH for research and other programs
 - \$1.1 billion for comparative effectiveness research
- \$3 billion for Prevention and Wellness
- \$1.5 billion to Community Health Centers
- \$600 million to train healthcare personnel
- \$550 million for Indian Health Service



Funding for the Implementation of EHRs

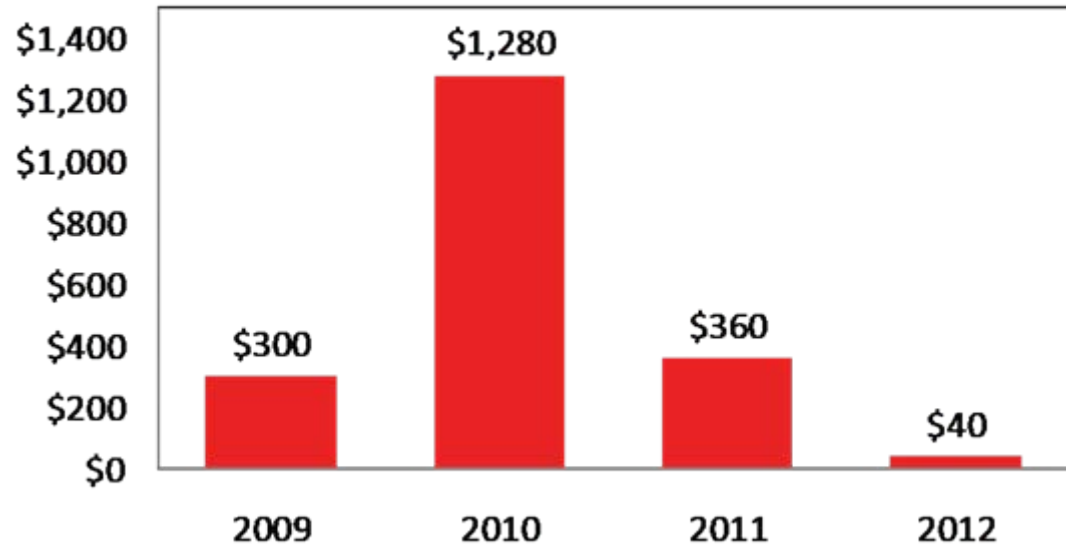
HITECH Act devotes \$22.8 billion to Health IT over a period of six years

Includes **immediate \$2 billion in “jump-start” funding** to promote the use and exchange of electronic health information

- \$300 million in grants to support regional health information exchanges
- Remaining funds distributed through the Office of the National Coordinator for Health IT or its partner agencies for:
 - HIT infrastructure
 - Training
 - Telemedicine
 - Interoperable clinical data repositories
 - Technology and best practices development
 - HIT use by public health departments
 - EHRs for providers not eligible under incentive payments program

\$ in millions

Jump-Start Funding

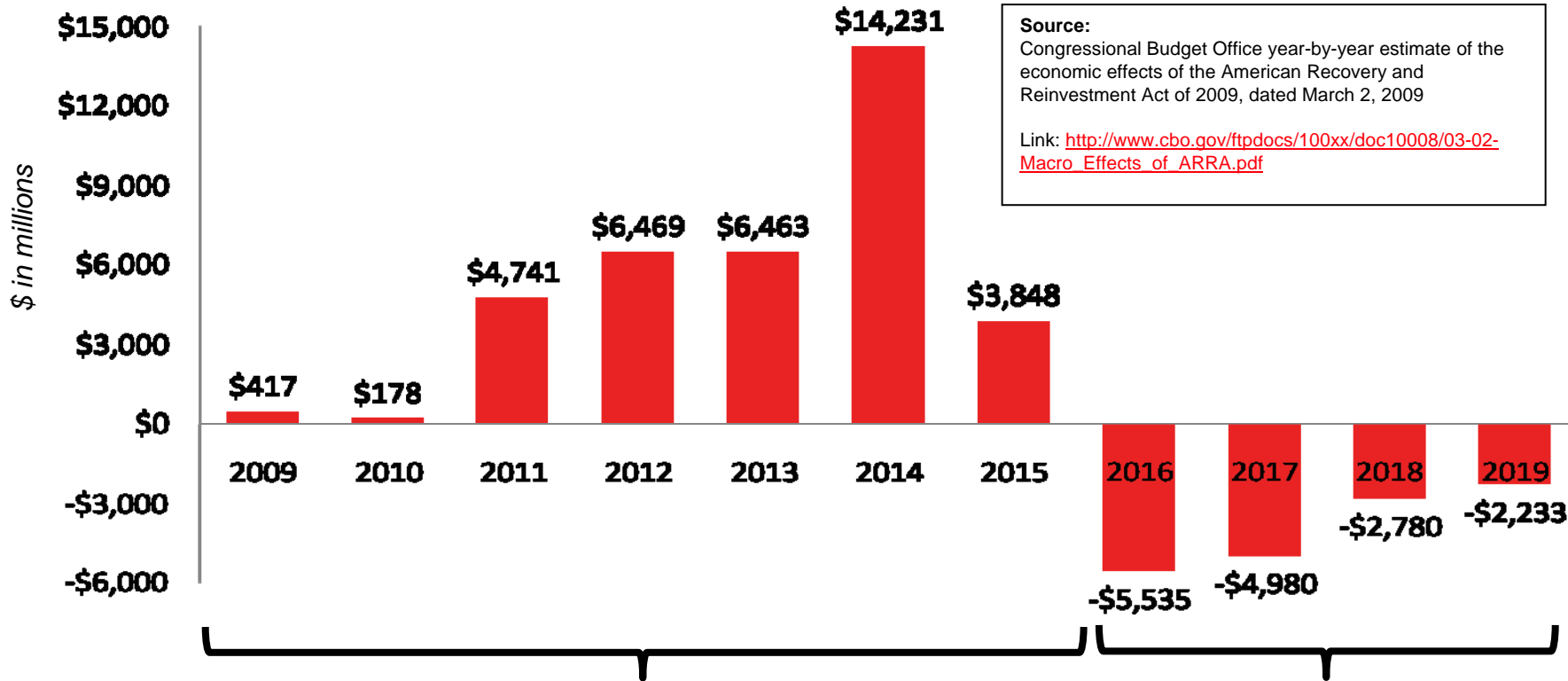


Source: CBO, Mar. 2, 2009

Funding for the Implementation of EHRs

Estimated \$20.8 billion in incentive payments to providers who show "meaningful use" of certified EHR technology.

Medicare and Medicaid Incentive Payments

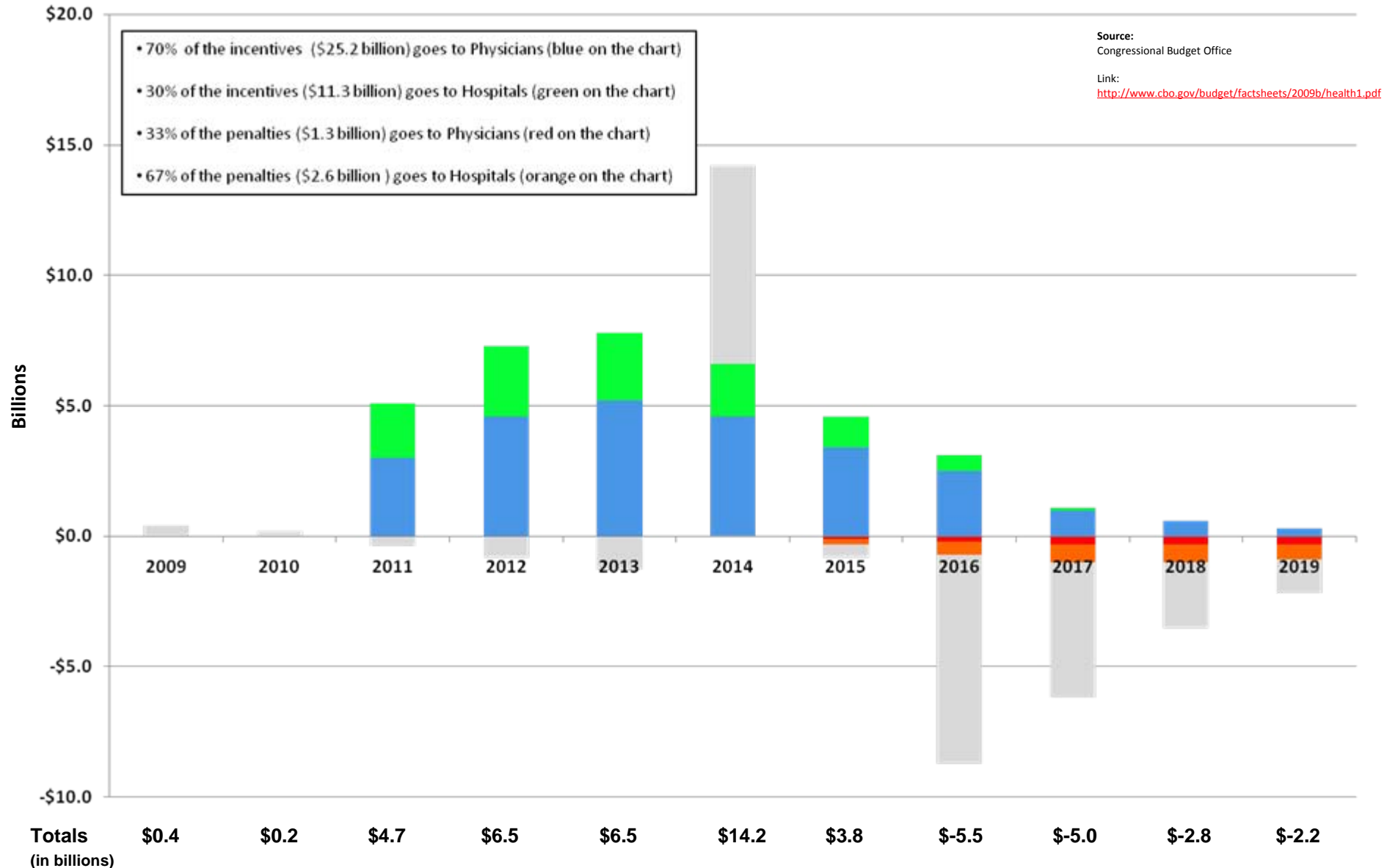


Source:
Congressional Budget Office year-by-year estimate of the economic effects of the American Recovery and Reinvestment Act of 2009, dated March 2, 2009

Link: http://www.cbo.gov/ftpdocs/100xx/doc10008/03-02-Macro_Effects_of_ARRA.pdf

\$20.8 billion = \$36.368 billion - \$15.549 billion

Funding for the Implementation of EHRs



Source:
Congressional Budget Office

Link:
<http://www.cbo.gov/budget/factsheets/2009b/health1.pdf>

A meaningful EHR user must **demonstrate** it is using **certified** EHR technology, that the technology is connected in a manner that **allows for the exchange** of healthcare information, and that the EHR user can effectively **demonstrate** the technology’s “meaningful” use.

- Criteria for compliance – a certified EHR system must facilitate:
 - Clinical decision support
 - Computerized Physician Order Entry (CPOE)
 - Exchange of data
 - Quality reporting

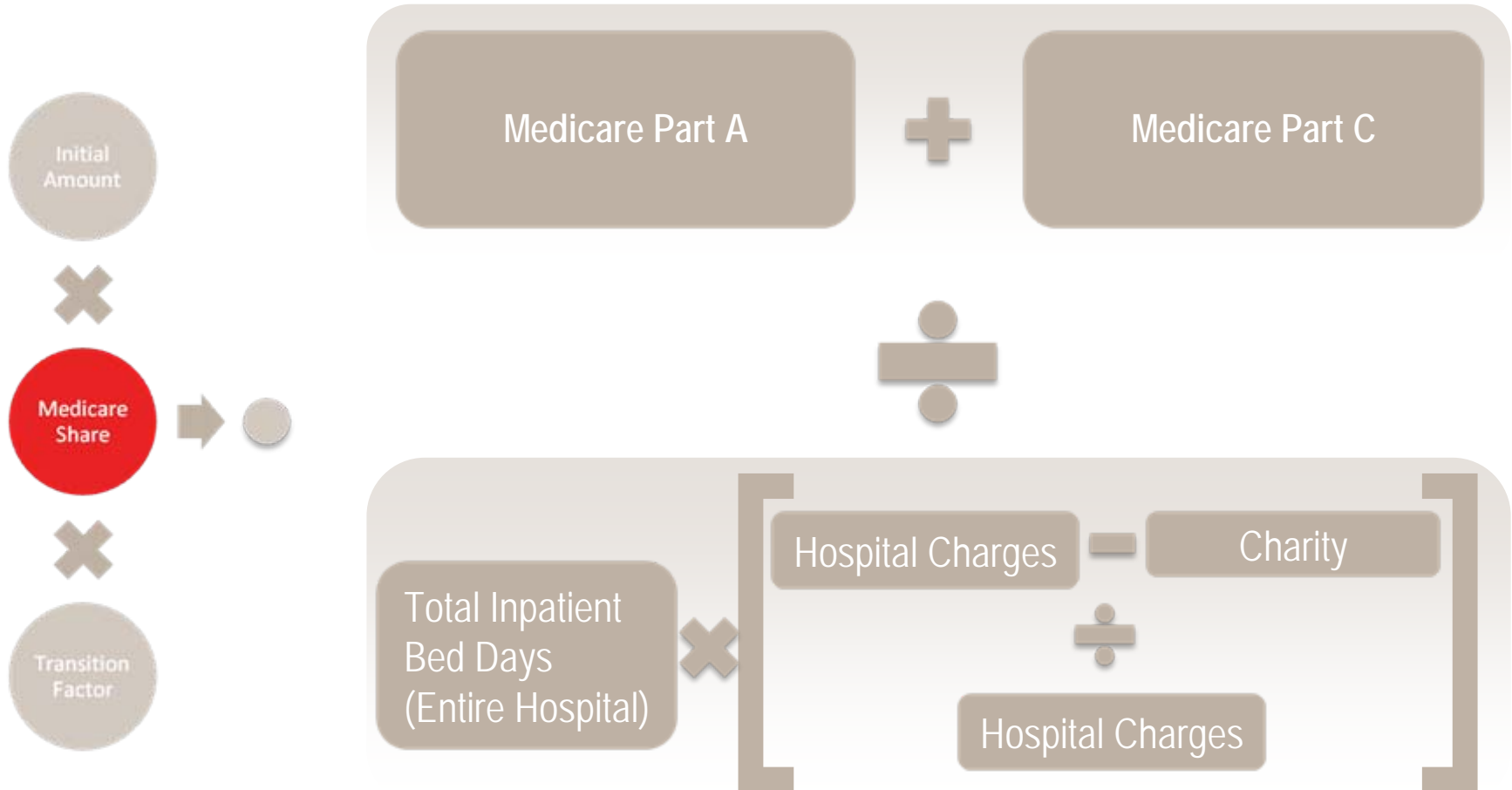
Medicare Payments for Hospitals

- Reimbursement structure (no up-front funds)
 - Incentive payments starting in 2011
 - Payments diminish over four-year period
 - Penalties for late implementation (failure to implement by 2015)
 - Reduction of up to 5% in reimbursements over a period of 5 years
- Criteria for compliance – certified EHR system must facilitate:
 - Clinical decision support
 - CPOE
 - Exchange of data
 - Quality reporting

Medicare Phased Incentive Payments:

Year 1:	100%	Year 3:	50%
Year 2:	75%	Year 4:	25%

Medicare Formula for Hospitals (High-Level View)



Hospital Charges: Total Hospital Patient Revenue

Charity: Total Uncompensated Care

Medicare Payments for Healthcare Professionals

Incentives

Early adopters of "meaningful" electronic health records will receive more reimbursements over time

Bonus payment by year

Start Year	2011	2012	2013	2014	2015	2016	Total
2011	\$18,000	\$12,000	\$8,000	\$4,000	\$2,000		\$44,000
2012		\$18,000	\$12,000	\$8,000	\$4,000	\$2,000	\$44,000
2013			\$15,000	\$12,000	\$8,000	\$4,000	\$39,000
2014				\$12,000	\$8,000	\$4,000	\$24,000

Penalties

Physicians who delay adoption of health information technology until after 2014 will receive Medicare reimbursement penalties.

Start Year	Medicare penalty
2015	-1%
2016	-2%
2017	-3%
2018	Depends on overall adoption rate

Payments are increased by 10% for providers in areas designated as "health professional shortage area."

Clearly excludes hospital-based professionals such as radiologists, pathologists, etc. who work in an in-patient facility

Medicaid Incentive Payments for EHRs

Medicaid is a state-administered program, and each state sets its own guidelines regarding eligibility and services. EHR incentive payments will be passed through the existing state agencies to providers.

- **EHR Incentive Payments for Providers:**

- Allowable costs not to exceed \$25,000/Medicaid provider for EHR technology purchase and initial implementation
- Additional costs not to exceed \$10,000/year for not more than 5 years and not to exceed \$75,000/provider
- Hospitals with at least 10% Medicaid patient volume would be eligible for an incentive payment (payment formulas are similar to those available under Medicare)

- **Special provisions on children's hospitals and rural healthcare clinics and federally-qualified health centers**

- **Legislation should prevent "double dipping" by hospitals in both Medicare and Medicaid**

Health IT Funding Flow

Requires the Secretary to invest, consistent with the National Coordinator's strategic plan, in HIT in order to promote the use and exchange of electronic health information.

Jump Start
(\$2B)

HHS



ONCHIT, AHRQ, CMS, CDC,
CMS, and NIST

State Departments of Health



Hospitals HIEs Professionals Universities

Medicaid  **\$20.8 billion**  Medicare

HHS



State Departments of Health



Hospitals

Professionals

HHS - CMS

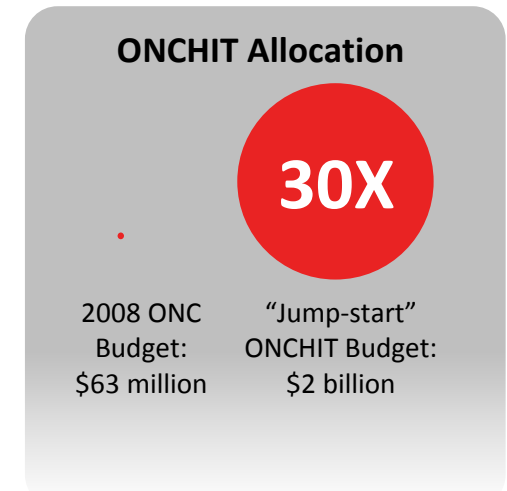


Hospitals

Professionals

As the leader of the ONC Dr. Blumenthal will also establish the HIT Policy and Standards Committees, which will work to identify and harmonize technical standards for health information

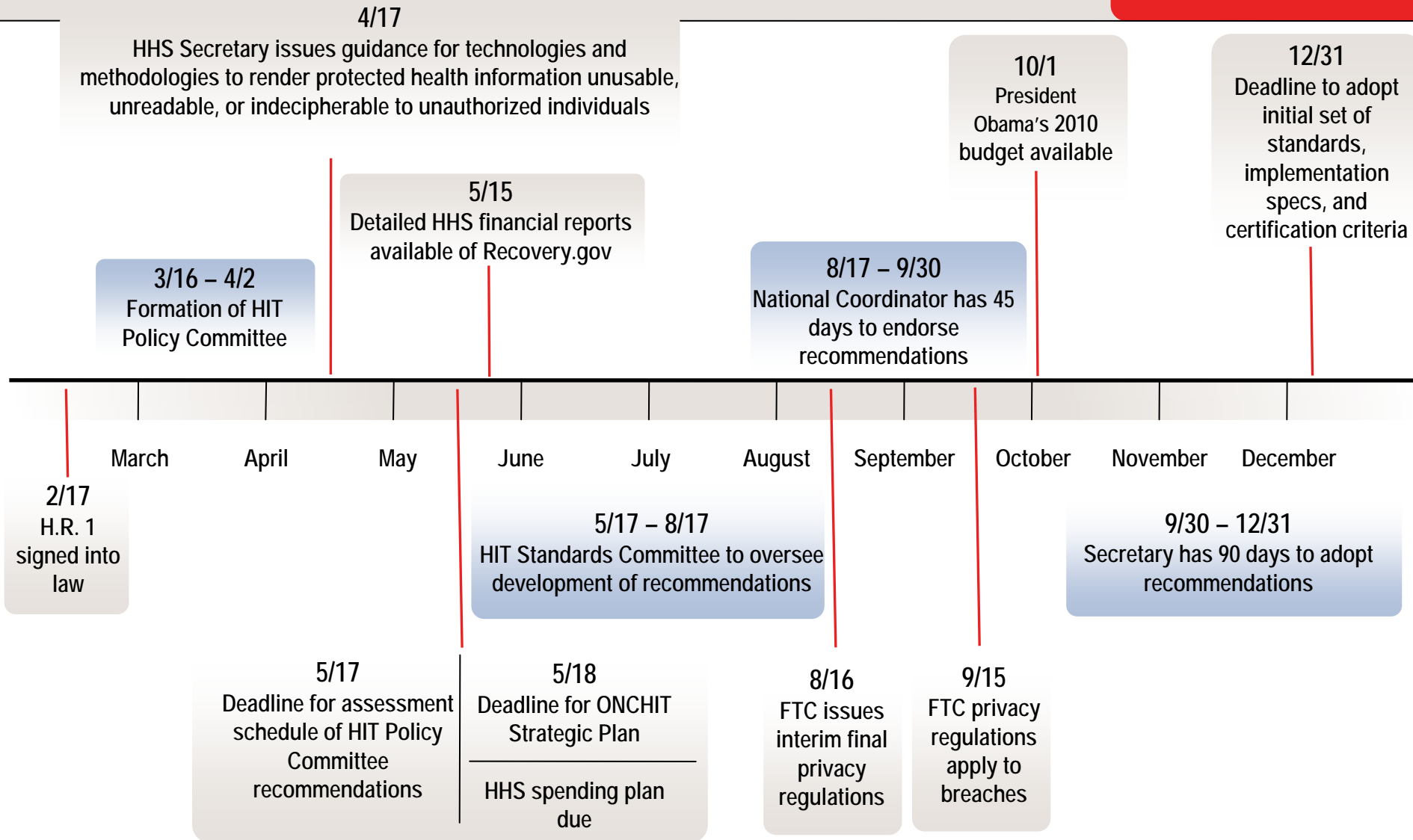
- Establish an open and transparent process
- Update the Federal Health IT Strategy Plan
 - Strategic plan due August 26
- Develop EHR standards by Dec. 31, 2009
 - Include objectives, milestones, and metrics for use and utilization of EHRs for every person in the U.S. by 2014
- Coordinate HIT policy and programs with other federal agencies
- Develop a grant program for states to facilitate and expand HIE



- 20 Members to include
 - Providers
 - Ancillary healthcare workers
 - Consumers
 - Purchasers
 - Health plans
 - Technology vendors
 - Researchers
 - Relevant federal agencies
 - Individuals with technical expertise in healthcare quality, privacy and security
- Required policy recommendations
 - Privacy and data security technologies
 - HIT infrastructure that allows electronic information exchange
 - Nationwide adoption
 - Use of EHRs to improve care
 - Encryption technology

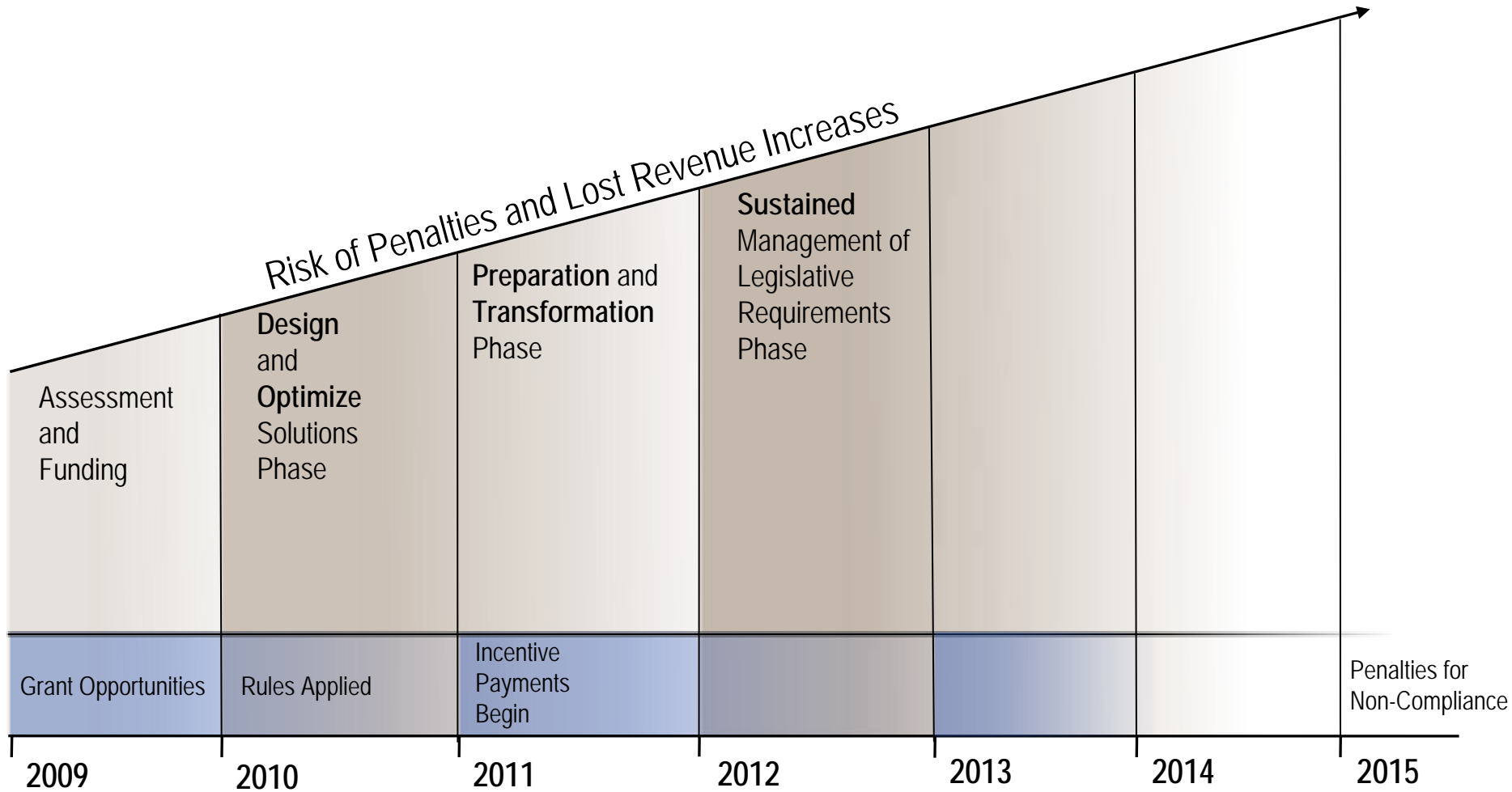
- Duties include:
 - Pilot testing of standards
 - Serving as a forum for the participation of a broad range of stakeholders
 - Must develop a schedule for addressing policy recommendations for the HIT Policy Committee
- Adoption of Initial Set of Standards mandated by Dec. 31, 2009
 - HHS Secretary authorized to issue interim final rules
 - Secretary, within 90 days of receiving an HIT standard, specification, or certification criteria, is required to determine whether or not to propose adoption through regulation
- Healthcare payers and providers that contract with the federal government must use HIT systems and products that meet the standards adopted by the Secretary

ARRA 2009 Timeline and Milestones



- Step 1: Prepare
- Step 2: Deploy
- Step 3: Comply

ARRA Readiness Timeline and Milestones



Assess:

- Identify learning needs and educate the organization, especially clinicians, physicians, and those involved in data entry, capture or data reporting
- Review existing technology to identify gaps between current and future state requirements
- Identify the potential benefits realization by calculating incentive payments based on compliance with the legislative mandates
- Current organizations where electronic health exchange would enhance the quality of care

Design:

- A strategy and plan for meeting meaningful use requirements, calculating return on investment
- Utilize a robust vendor selection process with specific criteria established related to compliance with legislative mandates – functionality and end-user satisfaction requirements

Optimize:

- Measure current position against meaningful use requirements
- Build consensus around action plans with key stakeholders
- Evaluate interoperability and health data exchange capabilities of all vendors utilized and work to ensure compliance within the timelines established
- Review workflow processes to enhance and optimize outcomes as measures of meaningful use
- Review and optimize data management processes to ensure capture of indicators as required for reporting
- Review and optimize data reporting capabilities to ensure reliability and validity in reporting meaningful use indicators to external sources

Prepare:

- Review strategic plan and revise to include the new imperatives of the legislation
- Review and revise operational and tactical plans to include actions that will ensure realization of benefits from compliance with legislative requirements
- Review timelines for technology implementation and plan acceleration strategies as needed
- Develop a strategy to apply for grant funding

Transform:

- Implement strategic, operational and tactical plans to ensure compliance within the timelines established
- Apply for funding/grants
- Establish electronic health exchange capabilities where possible
- Deploy data governance and management strategy

Sustain:

- Develop a core team charged with ongoing compliance with legislative requirements as they evolve\
- Evaluate project budget and strategic goals, make realignments is applicable
- Refine communication plan
- Review gap closure plan for changing priorities
- Benefits realization, tracking, communication, and continual commit to performance improvements to determine the success of implementation

- Tracking and analysis of health reform and economic stimulus
 - Policy updates
 - Web site resources (perotsystems.com/insights)
 - Webinars
 - Podcasts
 - Briefings
 - Executive seminars

- Solutions aligned with new funding and regulations
 - EHRs for Hospitals
 - EHRs for Professionals
 - Health Information Exchanges
 - State Reform Programs/State Connectors
 - Community Health Center Modernization
 - Federal programs and agencies

- Consulting services include:
 - Executive Workshop
 - ARRA Readiness Assessment
 - Grant Writing
 - EHR Implementation and Optimization Assistance
 - ARRA Required Compliance
 - Quality Reporting Informatics
 - ARRA Revenue Cycle Optimization
 - ARRA Technology Optimization

Web Site:

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