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Health Information Technology Incentives in the American Recovery and Reinvestment Act of 2009

The stimulus package contained approximately $36 billion in funds intended to help develop the infrastructure necessary for meaningful implementation of health IT. This includes incentives for health care providers who can prove that they are using "certified health information technology" in a "meaningful way." As passed, the statute defines meaningful use as employing a system that has, at a minimum, the ability to provide clinical decision support; order entry capture procedures that result in a database that can be queried for information relevant to healthcare quality, and the ability to exchange and integrate electronic health information with other sources.[1]

The individual provider and hospital incentives intended to promote the adoption of health IT, will be implemented through the Medicare and Medicaid programs. In order to qualify for health IT incentives, providers and hospitals must meet certain criteria within one of these two programs. Providers and hospitals must elect to receive either Medicare or Medicaid incentives.

There are many differences between the two incentive programs for individual health care providers. First, Medicare incentives consider a qualifying health care provider to be a doctor of medicine or osteopathy, a doctor of dental surgery or of dental medicine, a doctor of podiatric medicine, a doctor of optometry or a chiropractor.[2] The Medicaid health IT implementation funds apply to physicians, dentists, certified nurse-midwives, nurse practitioners and physician assistants (in rural health clinics and Federally Qualified Health Centers that are run by a physician).[3] To receive Medicaid funds, non-hospital providers must have 30% Medicaid patient volume (20% if they are non-hospital pediatric providers). Second, as discussed below, Medicare health IT incentives are structured to promote early adoption of health IT and

contain a penalty provision for providers and hospitals that have not implemented health IT by 2016. The Medicaid program incentives do not include a penalty and, in fact, while the Medicare provisions require that providers be "meaningful users" to obtain the funding, Medicaid providers can use the implementation funding to acquire systems.

The incentive payment structures for both programs are quite different. Medicaid providers who qualify can receive up to $25,000 in year one to defray cost of health IT acquisition. These providers can earn up to $10,000 annually for four more additional years if they can prove "meaningful use" of health IT. Still, because Medicaid is a state-run program, states may have more control over how the Medicaid incentive program is implemented. Alternatively, qualifying Medicare providers will receive incentive payments on the following scale:

If first year of implementation is 2011 or 2012	If the first year of implementation is 2013	If the first year of implementation is 2014
yr 1: $18,000	yr 1: $15,000	yr 1: $12,000
yr 2: $12,000	yr 2: $12,000	yr 2: $8,000
yr 3: $8,000	yr 3: $8,000	yr 3: $4,000
yr 4: $4,000	yr 4: $4,000	yr 4: $2,000
yr 5: $2,000	yr 5: $2,000	

Those Medicare providers who are unable to successfully use certified, qualified health IT by 2015 will be subject to penalties that reduce provider payment rates according to the following payment structure:

For those providers failing to use certified qualifying healthcare IT, Medicare payments reduced to:
2015: 99%
2016: 98%
2017 (and thereafter): 97 %

The Secretary of the Department of Health and Human Services may except some providers from these penalties on a case by case basis. However, these exemptions may not last more than 5 years. The Secretary may also decide to continue decreases payment rates for years subsequent to 2017 but payment rates may never drop below

95%. The stimulus package also allows for hospitals to qualify for incentives to adopt health IT through Medicare and Medicaid. The Medicare incentives for hospitals are similar to incentives for eligible individuals above, in that incentive payments are made for the first payment years, and penalties in the form of market basket reductions will apply for hospital providers that are not "meaningful EHR users" by 2016. The specific payment formula for hospitals is based on the number of hospital discharges in a payment year, the hospital's Medicare share (a calculation that takes the number of Medicare inpatient bed days for Medicare Part A and Medicare Part C patients), and a transition factor that weights incentives to provide more money in the first years of adoption. The incentive will amount to approximately $2 million plus an add-on to the Medicare fee for each hospital. Like the individual providers, hospitals electing for Medicare health IT incentives also face penalties for late adoption in the form of a market-basket (medical cost inflation) reduction. The market-basket adjustment will be as follows:

For those hospitals failing to use certified qualifying healthcare IT, market-basket adjustment:
2015: 33.3%
2016: 66.6%
2017 (and thereafter): 100 %

Critical Access Hospitals, which typically serve poorer, rural areas, will receive more incentive money (and lower penalties). Children's hospitals and acute care hospitals electing for Medicaid incentives must have 10% Medicaid patient volume to qualify. They can recoup 100% of their allowable costs (a billing calculation that takes into account the provider's Medicaid payer mix), or 50% of their actual costs. Hospitals choosing Medicaid incentives must have EHR in place by 2016 to receive funding but there is no penalty for late adoption. In addition to the incentives that go directly to health care providers, the stimulus package contained provisions for grants to states to build infrastructure, promote planning activities and expand the use of health information. Under one grant program, states or state-designated agencies applying for health information

exchange grants on behalf of the state may receive a portion of $2 billion in funds appropriated for those purposes. States would be required to match federal contributions at the rate of $1:$10 in 2011, $1:$7 and $1:$13 in 2013. The Secretary may make provisions for grants awarded before 2011.

Under a different grant program, applicants will be awarded competitive grants to establish loan programs for health care providers. These loans can be used to help providers participating in Medicare or Medicaid programs to help them purchase electronic health records, enhance electronic health records utilization, train personnel and improve secure electronic exchange. Providers receiving these loans would have to report on quality measures adopted by the Federal government. In addition, the entity that is awarded the grant must match federal contributions at the rate of $1:$5. Finally, the stimulus package instructs the Secretary to conduct a study to determine the extent to which and manner in which payment incentives should be made available to health care providers who are receiving minimal or no payment incentives or funding under this act. To review the statute, please visit http://frwebgate.access.gpo.gov/cgibin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.txt.pdf

The section on health IT incentives can be found in Division B, Title IV beginning on page 353. The American Recovery and Reinvestment Act. (2009). P.L. 111-5