Stimulus Bill Creates Health IT Incentives

BY MARY ELLEN SCHNEIDER

The newly enacted economic stimulus law will infuse tens of billions of dollars into the health care sector, providing incentives for using health information technology, increasing funds for primary care training, and launching initiatives in comparative effectiveness research.

President Obama signed the $787 billion American Recovery and Reinvestment Act of 2009 (H.R. 1) into law on Feb. 17, following weeks of congressional debate and deal-making. A final compromise package largely kept health care priorities on the table.

In terms of health information technology, the law includes about $17 billion in financial incentives through the Medicare and Medicaid programs to physicians and other health care providers to adopt and use electronic health records (EHRs), as well as another $2 billion in funding for the Office of the National Coordinator for Health Information Technology to encourage health IT adoption, aid in standard setting, and support regional efforts at health information exchange.

The bulk of the $17 billion will create a program of financial carrots and sticks aimed at encouraging EHR adoption, starting in 2011. For example, under Medicare, providers could receive incentives for EHR use over 5 years starting at a maximum of $18,000 in the first year and dropping to a maximum of $2,000 in year 5. However, physicians who do not engage in "meaningful" EHR use by 2015 could see cuts to their Medicare payments starting at 1% in 2015 and rising to 3% in 2017 and subsequent years.

Physicians who have a Medicaid patient volume of at least 30% will be eligible to receive incentive payments for EHR adoption and use.

Eligible Medicaid providers could receive incentives of up to $75,000 over 5 years. Under the law, Medicaid providers could receive up to $25,000 for the purchase and initial implementation of a certified EHR system and up to $10,000 a year for the maintenance and use of the system.

The law includes expanded eligibility for pediatricians. For example, pediatricians who have a Medicaid patient volume of between 20% and 30% will be eligible to receive up to two-thirds of the incentive payments.

The funding in the law is likely to fuel significant activity in the health information technology area, said Dr. Don Detmer, president and CEO of the American Medical Informatics Association (AMIA). The question will be how fast physicians and other health care providers adopt the technology. In the meantime, the federal government will need to clarify some of the provisions in the law through regulation, particularly how the new privacy protections will be implemented, he said.

"The payments are probably significant enough to make a real difference," said Douglas Peddicord, Ph.D., president of Washington Health Strategies Group, which represents AMIA in the District of Columbia.

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U.S. Vice President Joe Biden stands with U.S. President Barack Obama as he signs into law his $787 billion stimulus bill at Denver.

Recent surveys show that the majority of physicians would be motivated to adopt EHRs if given this level of incentives, he said. The decrease in payments starting in 2015 is also likely to be a significant driver, he said.

The financial incentives and disincentives included in the law will finally make the business case for EHRs, said Blair Childs, senior vice president for public affairs at Premier Inc., an alliance of not-for-profit hospitals and health care systems.

"I think everyone agrees that this is what is necessary."

As the federal government moves forward with regulations spelling out how the program will be implemented, Mr. Childs said officials at Premier hope to see standards issued that would require EHRs to automate the extraction of quality measures, something that is manual in many current systems.

Also under the new law, the Health and Human Services department will provide competitive grants to states to help them develop loan programs to drive adoption of EHRs by health care providers.

Providers will be able to use the loans to purchase, upgrade, or improve the security of EHR systems or to train staff on the technology.

Providing funds for health information technology garnered the most support in the stimulus package, but billions more were promised to improve basic health care and assess which products or procedures work best.

The law also includes $87 billion to help states pay for their Medicaid programs. The money will allow states to get a higher percentage of funds for their Medicaid programs from federal dollars as opposed to state dollars. As a result, "a state with a budget shortfall won't feel as much pressure to cut Medicaid back," said Kathleen Stoll, deputy executive director of Families USA, noting that at least 40 states have proposed cuts to their Medicaid programs. "In some states, it may free up money to spend on other health programs," but none of the federal stimulus money is allowed to fund any expansion of Medicaid.

Alan Weil, executive director of the National Academy for State Health Policy, said that although no one knows whether the Medicaid funding is sufficient, "states are going to need these dollars to retain the coverage that they have and deal with the expected increase in enrollment due to the economic downturn. Without it, we would have expected really substantial cuts in coverage."

Another provision gives states $25 billion to help laid-off workers maintain their employee health benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA). Workers who lost their jobs between Sept. 1, 2008, and Dec. 31, 2009, will have 65% of their COBRA premiums paid for by the federal government for 9 months. The provision limits the subsidy to those workers with an individual income of up to $125,000 or a family income of up to $250,000, Ms. Stoll said.

"This will help a lot of folks become able to afford COBRA," she added, noting that a recent report by her organization found that COBRA premiums eat up an average of 84% of a laid-off worker's unemployment benefits.

The law includes about $10 billion in funding for the National Institutes of Health to be used for research grants, construction, and the purchase of research equipment. The increased funding was praised by the American Heart Association for advancing the search for cures for heart disease, stroke, and other cardiovascular diseases.

"This is an important down payment on President Obama's pledge to double science funding over the next decade," Nancy Brown, chief executive officer of the American Heart Association, said in a statement.

The significant boost in NIH funding also was praised by the nonprofit organization Research!America. "This step is a dramatic reversal of the discouraging funding our federal health research agencies saw in the past 6 years and will do much to make up for spending power lost during that time," former Rep. John Edward Porter (R-Ill.), chair of Research!America, said in a statement. "In recent years, the NIH has been able to fund just 1 in 10 research projects deemed worthy of funding."

A little over $1 billion has been directed toward comparative effectiveness research, with $300 million going to the Agency for Healthcare Research and Quality, $400 million to the NIH, and $400 million to be used at the HHS secretary's discretion.

The research will be overseen by a new national council that will advise Congress and federal agencies on priorities. Many in the pharmaceutical and medical device industry supported the notion of comparative effectiveness studies, but worked hard to ensure that the money would not be used to support coverage decisions. The House and Senate conference report specifically stated that the research could not be used to "mandate coverage, reimbursement, or other policies for any public or private payer."

That brought applause from AdvaMed, the medical device industry trade group. "The purpose of the research is to assist patients and health professionals in making better treatment decisions, not to mandate one-size-fits-all coverage decisions that would deny patients access to safe and effective treatments," Stephen J. Ubl, president and CEO of AdvaMed, said in a statement.

Primary care also got a boost in the bill, with $2 billion going to new and existing community health centers, and $500 million to training for primary providers including doctors, dentists, and nurses. Some of that $500 million will help cover medical school expenses for students who agree to practice in underserved communities through the National Health Service Corps. ■

Alicia Ault and Joyce Frieden contributed to this story.

INDEX OF ADVERTISERS