Update on Medicare electronic health records incentive payment program

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Commission has supported use of EHRs to improve quality and efficiency of care

- March 2005 Report: Support use of EHRs as tool in improving care delivery
  - Track care over time for chronically ill beneficiaries
  - Use clinical decision support tools
  - Securely transmit patient care information between providers
- March 2010 Report: Recommend defining “meaningful use” of EHRs to enable improved quality measurement, identify disparities
- Ongoing discussion in literature over impacts of health IT on service use and costs, quality and patient safety

Overview of electronic health record (EHR) incentive payment program

- Enacted in Health Information Technology for Economic and Clinical Health (HITECH) Act, part of American Recovery and Reinvestment Act of 2009
- Provides incentive payments to eligible professionals (EPs), eligible hospitals, and critical access hospitals (CAHs) if they demonstrate "meaningful use" of certified EHR technology
- Meaningful use criteria are defined by CMS, with stringency increasing in stages

Definition of meaningful use criteria

- CMS defines criteria through rule-making
  - Informed by HHS Health IT Policy Committee (federal advisory committee)
- Stage 1 final rule
  - Criteria defined as objectives (functions) provider must achieve using certified EHR technology
    - Each objective has a related measure
  - EPs: Must meet 20 objectives
    - 15 “core set” objectives, and 5 out of 10 “menu set” objectives
  - Hospitals: Must meet 19 objectives
    - 14 core set objectives, plus 5 out of 10 menu set objectives

Examples of final Stage 1 criteria

- Improving quality, safety, efficiency, and reducing disparities
  - Use computerized provider order entry for at least one medication order for >30% of patients
  - Record demographic data, including race/ethnicity, gender, and preferred language, for >50% of patients
  - Use at least one clinical decision support rule
  - Report clinical quality measures
- Engage patients and families in their health care
  - Generate patient health information (EPs) or discharge instructions (hospitals) electronically for >50% of patients
  - Provide patient education resources to >10% of patients (optional)
- Improve care coordination
  - Have capability to exchange key clinical information and perform >1 test of exchange functionality

Proposed Stage 2 criteria

- Stage 2 proposed rule
  - EPs: Must meet 20 objectives
    - 17 core set objectives, and 3 out of 5 menu set objectives
  - Hospitals: Must meet 18 objectives
    - 16 core set objectives, plus 2 out of 3 menu set objectives
  - Several menu set (optional) objectives moved to core set (mandatory)
  - Measurement bar raised for several objectives – they must be used for greater percentage of patients
  - Increased use of electronic data exchange between providers (such as during care transitions), data sharing with patients

Providers must meet progressively higher stages of meaningful use criteria

- Applicable stage is based on first payment year
- Generally two years at each stage

	Stage of meaningful use							
First payment year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
2011	1	1	1	2	2	3	3	TBD
2012		1	1	2	2	3	3	TBD
2013			1	1	2	2	3	3
2014				1	1	2	2	3
2015					1	1	2	2
2016						1	1	2
2017							1	1

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Note: TBD (to be determined).

Milestones in the EHR incentive program

Date	Milestone
2011	First year incentive payments are available; payments begin in May
November 2011	Last month for eligible hospitals to register for 2011 payment
February 2012	Last month for EPs to register for 2011 payment
2012	Last year for EPs to initiate participation and receive maximum 5 years of payments
2013	Last year for eligible hospitals to initiate participation and receive maximum 4 years of payments
2014	Last year for all providers to initiate participation in the incentive program
	Stage 2 meaningful use criteria begin
2015	Payment penalties begin for hospitals and EPs that are not meaningful users of certified EHR technology
2016	Stage 3 meaningful use criteria begin
	Last year providers may receive Medicare EHR incentive payment

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Note: EPs (eligible professionals). For eligible hospitals, applicable years are fiscal years; for EPs, applicable years are calendar years.

Key payment features of program

- Incentive payment formulas:
  - Eligible professionals: 75 percent of annual allowable Medicare charges, subject to a cap
    - Cap: $44,000 over 5 years; $18,000 in 2011; reduced annually
  - Hospitals: Base amount of $2 million adjusted by hospital's discharge volume and Medicare share
    - Amount reduced over 4 years of eligibility, no cap
  - CAHs: Reasonable costs of EHR system times provider's Medicare share of total discharges; no cap on payments

Key payment features of program (continued)

- Payment penalties begin in 2015 for hospitals and EPs if not meaningful users of EHRs
  - EPs: Fee schedule payments reduced 1 percent in 2015, gradually increasing to 5 percent reduction in 2019+
  - Hospitals: 2015 market basket update reduced by 25 percent (e.g., 2% MB update would be reduced to 1.5%), increasing to 75 percent reduction in 2017+
  - CAHs: Medicare payments reduced from 101 percent of reasonable costs to 100.66 percent in 2015, gradually down to 100 percent in 2017+
  - Providers can apply for temporary hardship exemptions

Program participation rates low but climbing as of February 2012

- $2.1 billion in incentive payments made through February 2012
- Many hospitals and EPs registered to participate, but have not demonstrated meaningful use and have not received payment
- Registration and payment rates higher among hospitals than physicians and other types of Medicare EPs

	Total number	Number registered	Percent registered	Number paid	Percent paid	Average payment	Total payments (millions)
Hospitals (PPS & CAH)	4,985	3,280	66%	796	16%	$1,778,713	$1,416
Physicians	503,196	126,321	25	31,650	6	18,000	570
Other types of Medicare EPs	90,795	15,328	17	3,691	4	18,000	66
Total							$2,052

Source: MedPAC analysis of CMS EHR Incentive Program report for February 2012, AHA Hospital Statistics 2012, and 2010 Medicare claims data.

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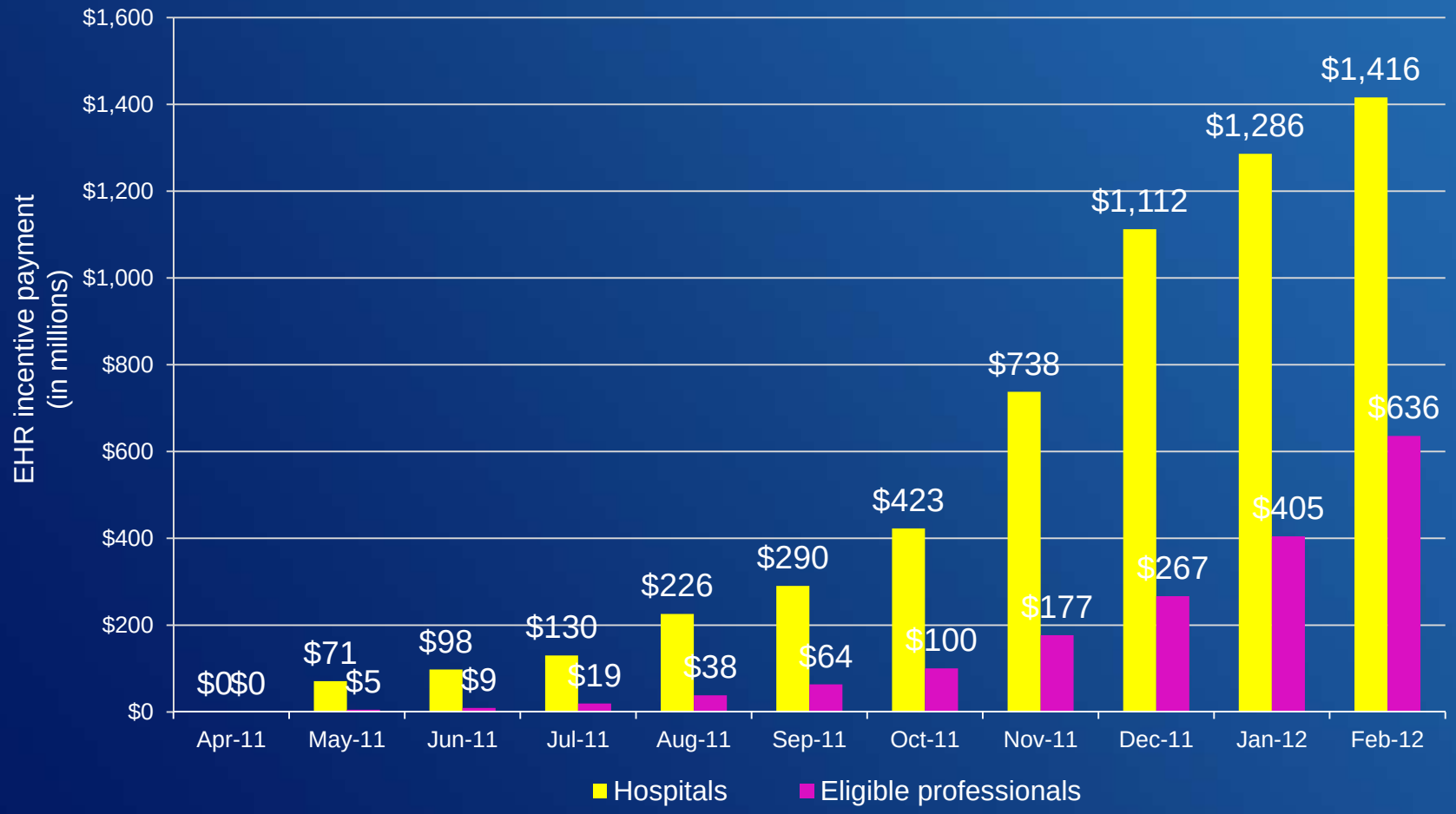
Data are preliminary and subject to change.

Cumulative EHR incentive payments increased rapidly over first year of program



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Source: CMS EHR Incentive Program monthly reports.

Characteristics of payment recipients

- Hospitals:
  - 16 percent had received payment (through February 2012)
  - Those receiving payments more likely to be in a large system, paid under PPS, >200 beds, located in urban area
- Physicians:
  - Shares are low, but growing steadily
  - Primary care: <1 percent in June 2011 to 8 percent as of Feb. 2012
  - Specialists: <1 percent in June 2011 to 5 percent as of Feb. 2012
  - Shares of some specialties (cardiology, urology, nephrology) larger, growing faster: over 12 percent through Feb. 2012

Source: MedPAC analysis of CMS EHR Incentive Program report for February 2012, AHA Hospital Statistics 2012, and 2010 Medicare claims data.

Data are preliminary and subject to change.

Discussion

- Update on meaningful use criteria
- Update on provider participation
- Future policy directions for EHR incentives?