

# HCIT and the Stimulus

*The American Recovery & Reinvestment Act of 2009*



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# HCIT and the Stimulus

## Agenda

**1** Stimulus Plan Overview

**2** HITECH Act Specifics

**3** Physician Incentive Programs

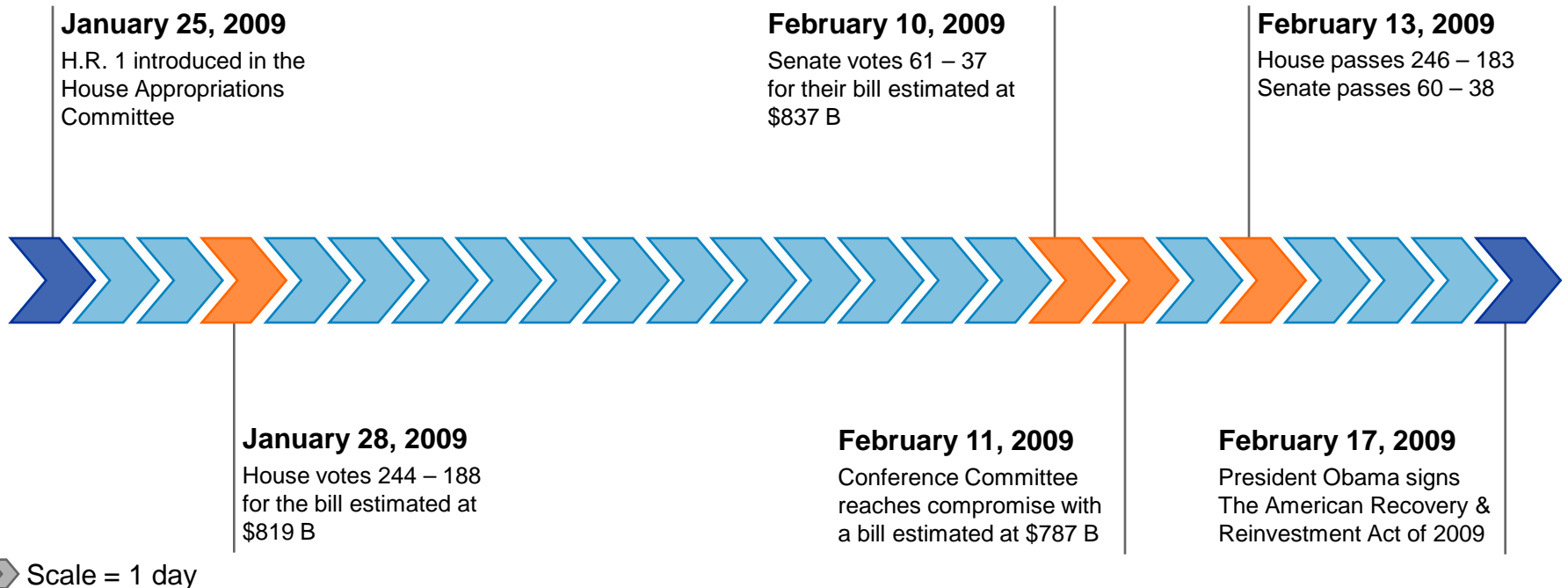
**4** McKesson's EHR Solutions

**5** Next Steps and Discussion

# Stimulus Plan Overview

*Where are we and how did we get here?*

- ▶ **The American Recovery & Reinvestment Act of 2009 (H.R. 1)**
  - One of the largest single pieces of legislation in U.S. history
  - Signed 23 days after official introduction (28 days after inauguration)

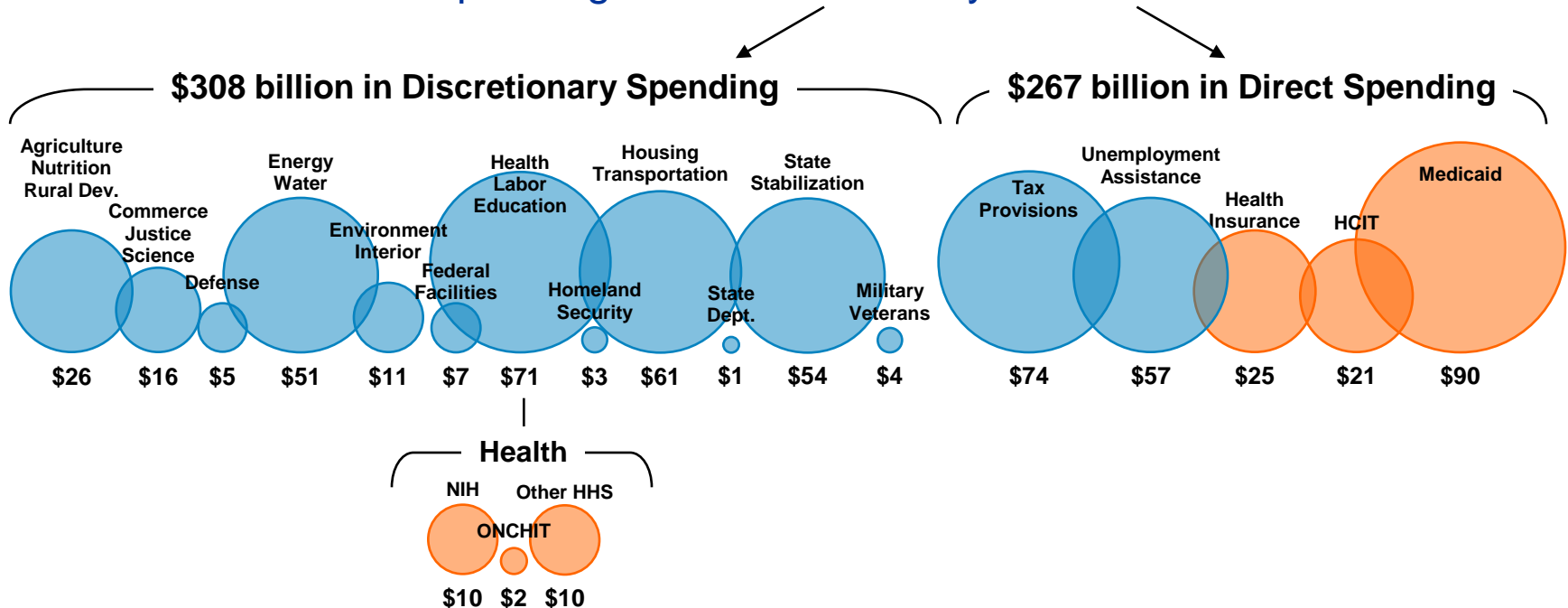


# Stimulus Plan Overview

*What is in the stimulus plan?*

▶ **Estimated \$787 billion in net impact on the federal deficit**

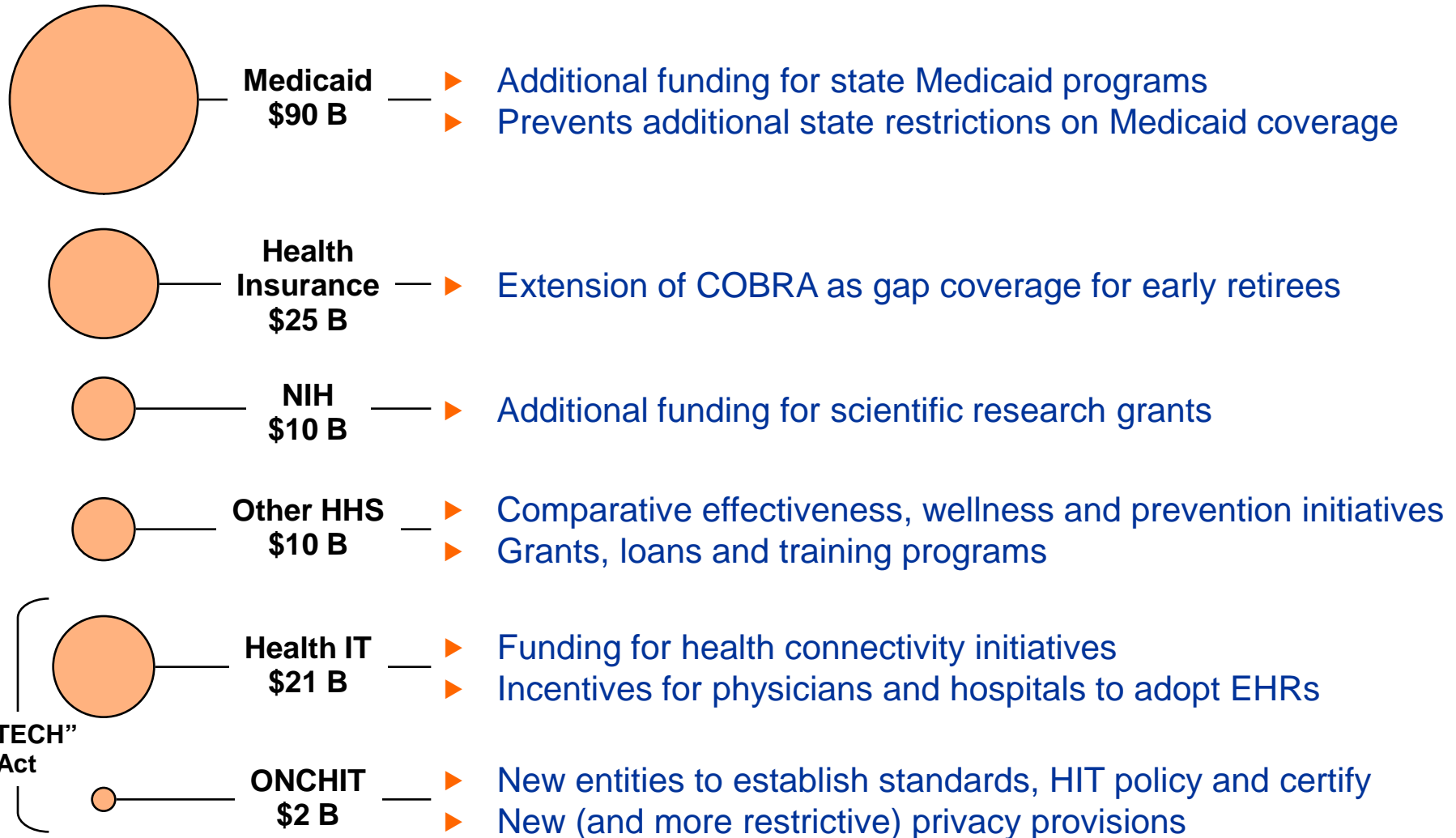
- \$212 billion (~27%) in net revenue effects, i.e. tax cuts
- \$575 billion in net spending either discretionary or direct



**Healthcare is over \$157 billion (~ 27%) of the net spend**

# Stimulus Plan Overview

## Healthcare provisions in the stimulus bill



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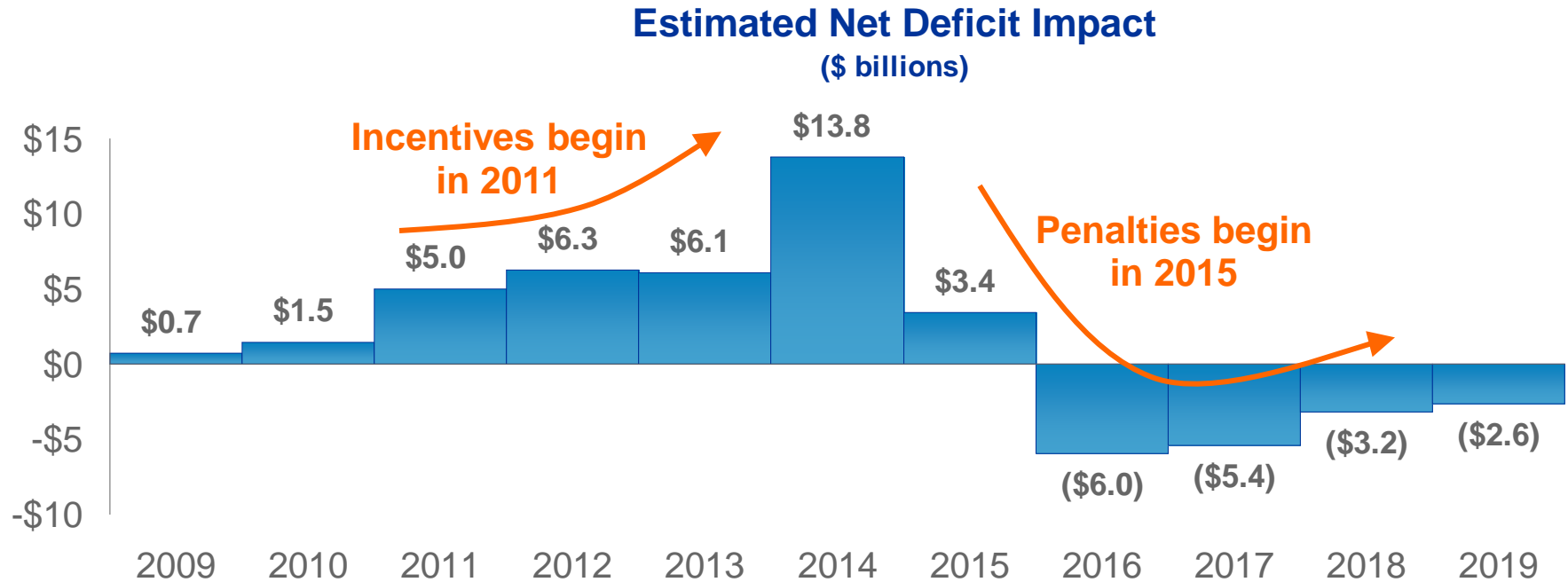
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# HITECH Act Specifics

*What is the timeline for the HITECH funding?*



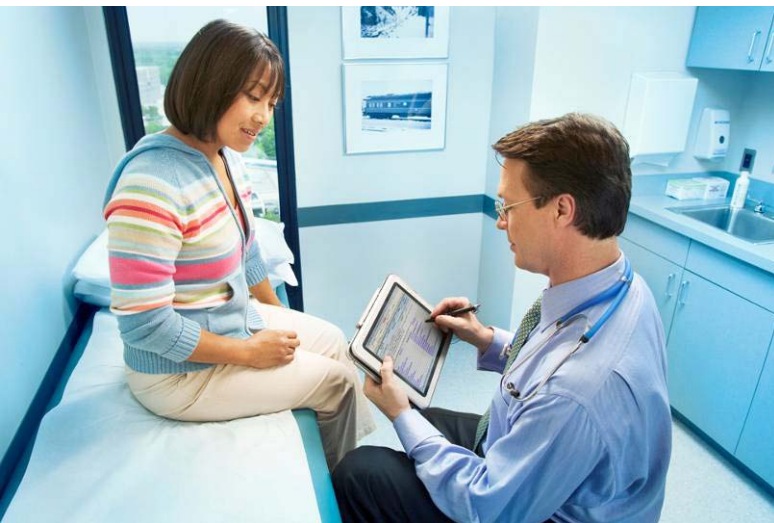
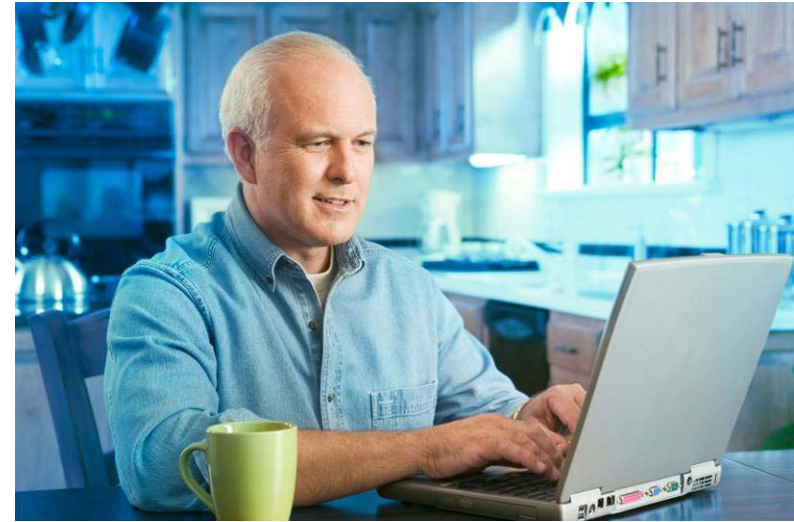
- ▶ **HITECH funding utilizes both a “carrot” and “stick”**
  - Incentive payments for use of healthcare IT begin in 2011
  - Penalties for non-compliance begin in 2015

# HITECH Act Specifics

## Overview of key healthcare technology components

### Standards & Interoperability

- Codifies Office of the National Coordinator (ONCHIT)
- New advisory bodies – Health Policy and Standards
- Establishes “Date Certain” for interoperability standards (12/31/09)
- New role for NIST in testing and certifying standards compliance
- New provisions and restrictions to protect privacy of PHI



### Adoption & Use of Healthcare IT

- Significant incentives for use of certified EHRs
- Requirements for “meaningful use”
- 2 ways to qualify:
  - Medicare Provision
  - Medicaid Provision



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# Physician Incentive Program

*Providers must choose a program*

## General

- Must be office-based physicians, i.e. practice primarily outside the hospital
- No exclusions based on employment or billing relationships with hospital
- Eligible professional must prove meaningful use of a certified EHR

## Medicare Incentive

- Pays 75% of the all Part B claims submitted up to an annual maximum
- Potential incentives up to \$44,000 over a 5-year period beginning 2011
- Must qualify before 2013 to receive full incentive payout
- Must qualify before 2015 to avoid Medicare penalties

## Medicaid Incentive

- Pays 85% of the “Net Average Allowable Cost” up to an annual maximum
- Requires 30% Medicaid patient volume or 20% for pediatricians
- Potential incentives up to \$63,750 over a 6-year period beginning 2011
- Must qualify by 2016 to receive full incentive payout

## No Double Dipping

- Providers may receive incentive payments from only one program, even if they qualify for both

# Physician Incentive Program

## *Eligible Professional*

### ▶ Medicare Provision

- Eligible Professional is a physician as defined in the Social Security Act section 1861:
  - a doctor of medicine or osteopathy
  - a doctor of dental surgery or of dental medicine
  - a doctor of podiatric medicine
  - a doctor of optometry
  - a chiropractor
- To receive Medicare incentive payments, the physician must:
  - Not be “hospital-based;”
  - Submit Medicare Part B claims

# Physician Incentive Program

## *Eligible Professional*

### ▶ Medicaid Provision

- The Medicaid HIT Incentive program expands the definition of “eligible professionals” to include:
  - certified nurse mid-wife
  - nurse practitioner
  - physician assistant (under certain circumstances)
- To receive Medicaid incentive payments, eligible professionals must:
  - Not be “hospital-based;
  - Treat a patient population, of which at least 30% receive medical assistance (or 20% if the physician is a pediatrician).

# Physician Incentive Program

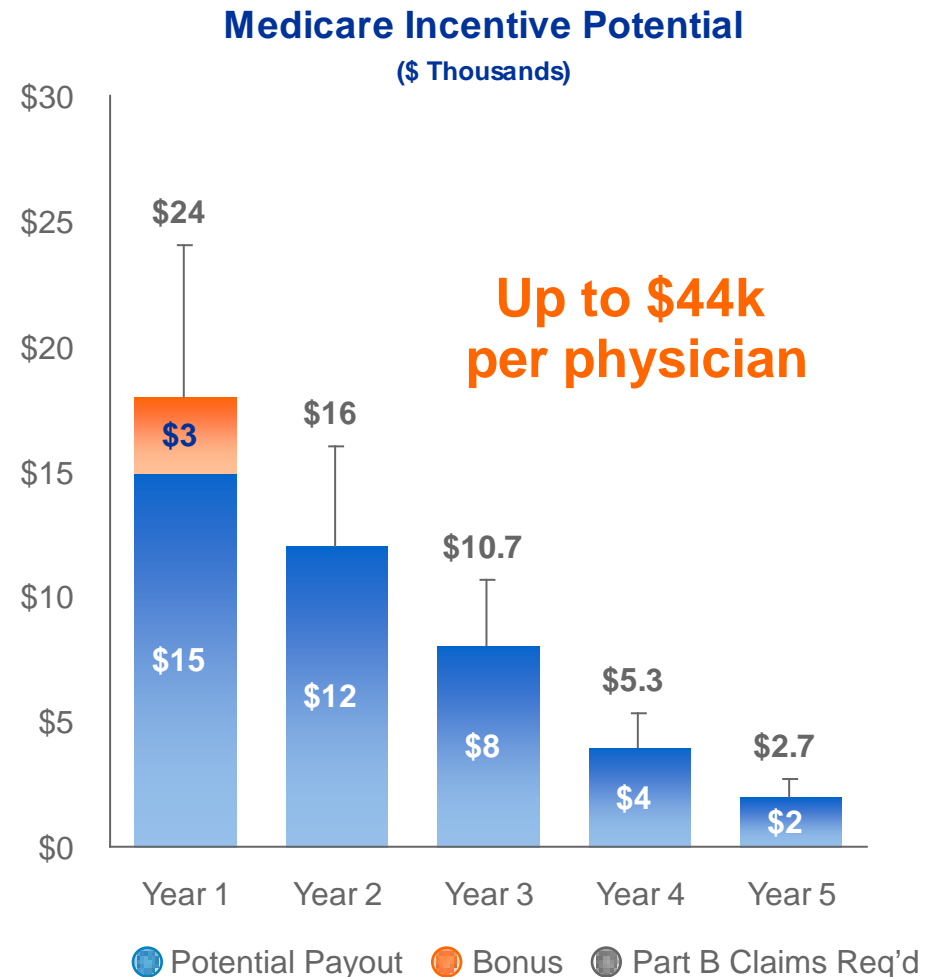
## *Eligible Professional*

- ▶ Hospital-employed and Independent office-based physicians are eligible
- ▶ Hospital-based physicians are not eligible, such as a pathologist, anesthesiologist, or emergency physician, who furnishes substantially all of such services in a hospital setting (whether inpatient or outpatient)
- ▶ HHS has some flexibility in the final interpretation of hospital-based

# Physician Incentive Program

*Medicare incentive program uses a part B claims method*

- ▶ **Pays 75% of part B claims up to max**
  - \$3,000 bonus to qualify by 2012
- ▶ **Requires “meaningful use” of certified EHR system**
- ▶ **Up to \$44k per physician over 5 years with a 10% bonus for physicians in shortage areas**
- ▶ **Must qualify by 2012 to receive max**
  - Reduced incentives for 2013 – 2015
- ▶ **No payments to providers after 2016**
- ▶ **Penalties begin in 2015**
  - 2015 – 1% cut in Medicare payment
  - 2016 – 2% cut
  - 2017 and beyond – 3% to 5% cut pending overall market adoption rate



# Physician Incentive Program

## Medicare Reimbursement Schedule

### Maximum Incentive Payments

Payment Year	Adoption Year			
	Now-2011	2012	2013	2014
2011	\$18k	-	-	-
2012	\$12k	\$18k	-	-
2013	\$8k	\$12k	\$15k	-
2014	\$4k	\$8k	\$12k	\$12k
2015	\$2k	\$4k	\$8k	\$8k
2016	-	\$2k	\$4k	\$4k
<b>Total</b>	<b>\$44K</b>	<b>\$44K</b>	<b>\$39K</b>	<b>\$24K</b>
Shortage Area	\$48.4K	\$48.4K	\$42.9K	\$26.4K

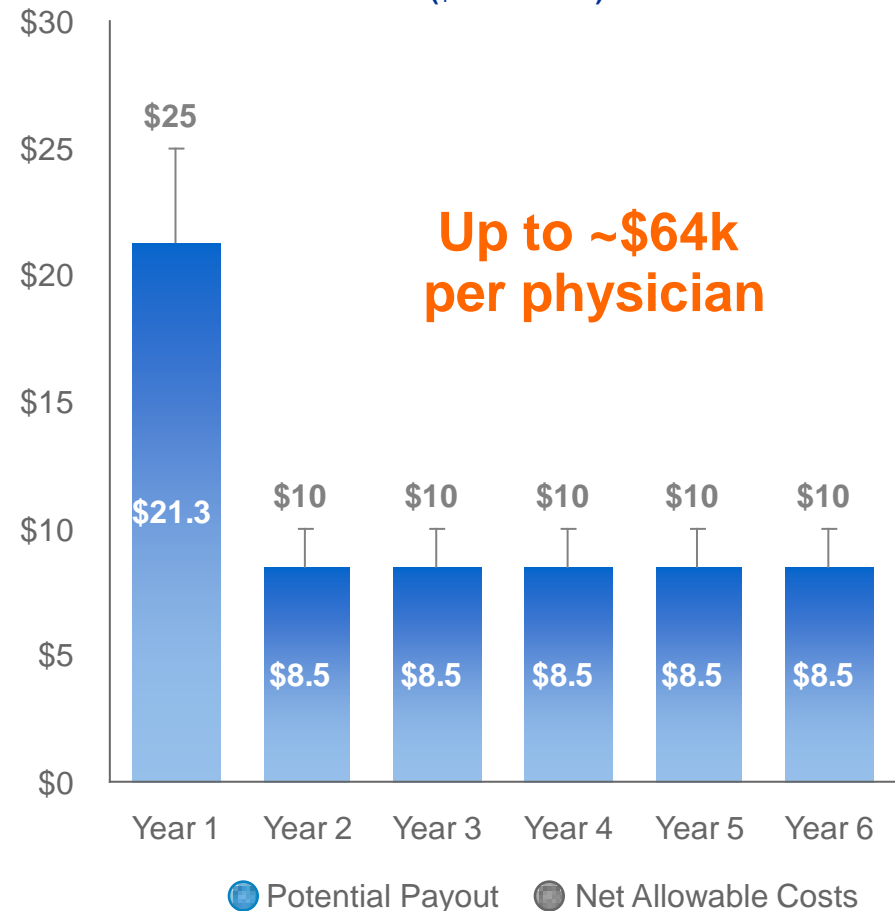
Part B Annual Charges	Maximum Payment
\$24,000	\$18,000
\$16,000	\$12,000
\$10,667	\$8,000
\$5,334	\$4,000
\$2,667	\$2,000

# Physician Incentive Program

*Medicaid incentive program uses a cost based method*

- ▶ **Pays 85% of the “net allowable costs”**
  - Includes system, implementation, training, maintenance, etc.
- ▶ **Requires “meaningful use” by Year 2**
  - Year 1 can be for adoption only
- ▶ **Up to ~\$64k per physician over 6 years**
- ▶ **Must qualify by 2016 to receive max**
- ▶ **No payments to providers after 2021**
  - \$340M available until expended
- ▶ **Requires 30% Medicaid patient volume**
  - 20% for pediatricians, but receive only 66% of net allowable costs

**Medicaid Incentive Potential**  
(\$ Thousands)





# Physician Incentive Program

## Medicaid Reimbursement Schedule

### Maximum Incentive Payments

Payment Year	Adoption Year	
	30% Provider 2011 – 2016	20% Pediatrician 2011 – 2016
Year 1	\$21,250	\$14,167
Year 2	\$8,500	\$5,667
Year 3	\$8,500	\$5,667
Year 4	\$8,500	\$5,667
Year 5	\$8,500	\$5,666
Year 6 (up to 2021)	\$8,500	\$5,666
<b>TOTAL</b>	<b>\$63,750</b>	<b>\$42,500</b>

Allowable Costs	Max Pmt For 30% provider (85% of allowable cost)	Max Pmt For Pediatrician (20% to 29%) Allowable Cost*2/3*85%)
\$25,000 (year 1 only)	\$21,250	\$14,167
\$10,000	\$8,500	\$5,667

# Physician Incentive Program

## *Meaningful Use*

- ▶ “Meaningful use” is largely up to HHS interpretation but expected to include:
  - E-prescribing
  - Interoperability
  - Clinical reporting
- ▶ Secretary may require more stringent measures of meaningful use over time

# Physician Incentive Program

## *Certified EHR System*

- ▶ Certification requirements are not known yet and may not be for quite some time
  - McKesson's leadership believes that any new certification requirements will be based on the standards that have been adopted by the Certification Commission for Health Information Technology (CCHIT)
  - McKesson has been deeply involved in this important work and we have well established plans to meet upcoming CCHIT criteria in our future product releases

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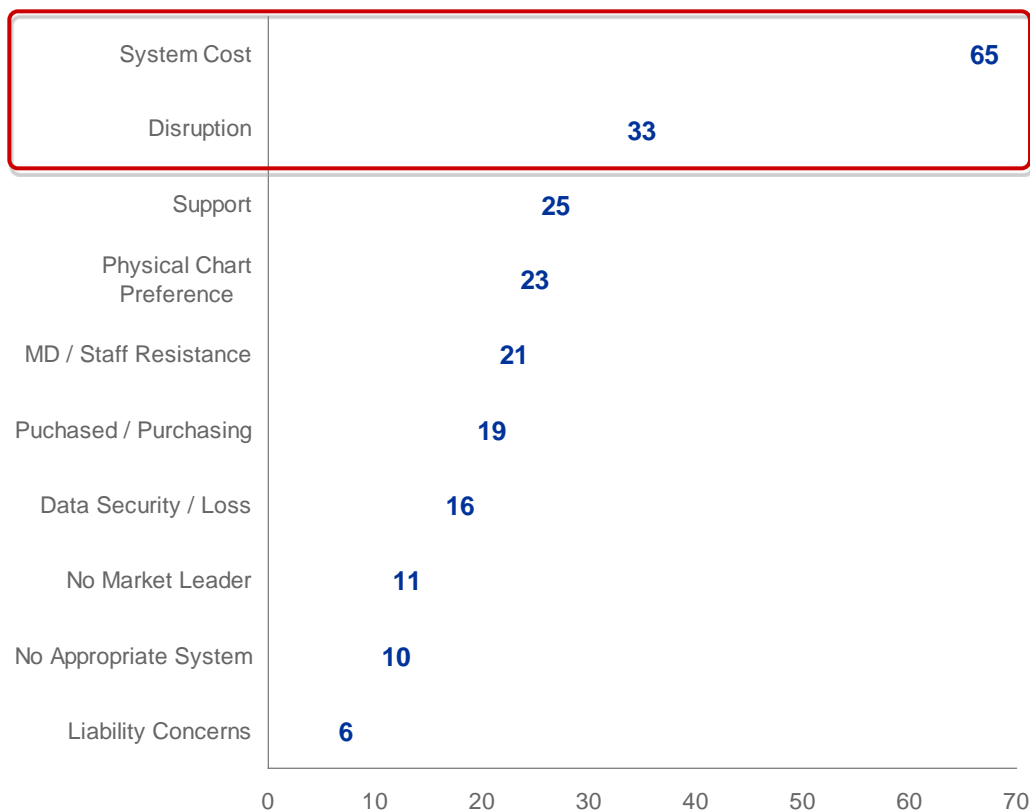
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# Traditional Barriers to EMR Adoption

## Cost and Disruption

### Barriers for EMR Adoption (# of Respondents w/o EMR)

n = 107 Respondents



- ▶ **Cost has been the top barrier for physicians adopting an EMR**
- ▶ **Disruption is also a significant barrier to increased adoption**
  - Practice Management replacement
  - Implementation
  - Training
  - Workflow

# McKesson's EHR Solution

## Industry Certifications & Recognition



- ▶ **Completes Chart with Dynamic Processing Technology**
  - Instantly synchronizes data across the chart, from a single screen, to complete the entire patient record
- ▶ **Matches a Physician's Personal Style**
  - Adapts to your style of charting with a choice of documentation tools from dictation to speech recognition.
- ▶ **Maps Patient Data for Flexible Quality Reporting**
  - Automatically maps data into quick searchable fields for more flexible quality reporting
- ▶ **Delivers 5-Star Electronic Prescribing Package**
  - Meets all of the five major functions as a certified Surescripts solution -- electronic prescribing, electronic refills, Rx history, eligibility and formulary
- ▶ **Extends Clinical Reporting with Practice Partner Research Network**
  - PPRNet measures 80 clinical benchmarks for physicians and currently has about 700 participating providers and 1.8 million patients in 38 states.
- ▶ **Backed by an Industry Leader**
  - McKesson Corporation, currently ranked 18th on the FORTUNE 500, is the longest-operating company in healthcare

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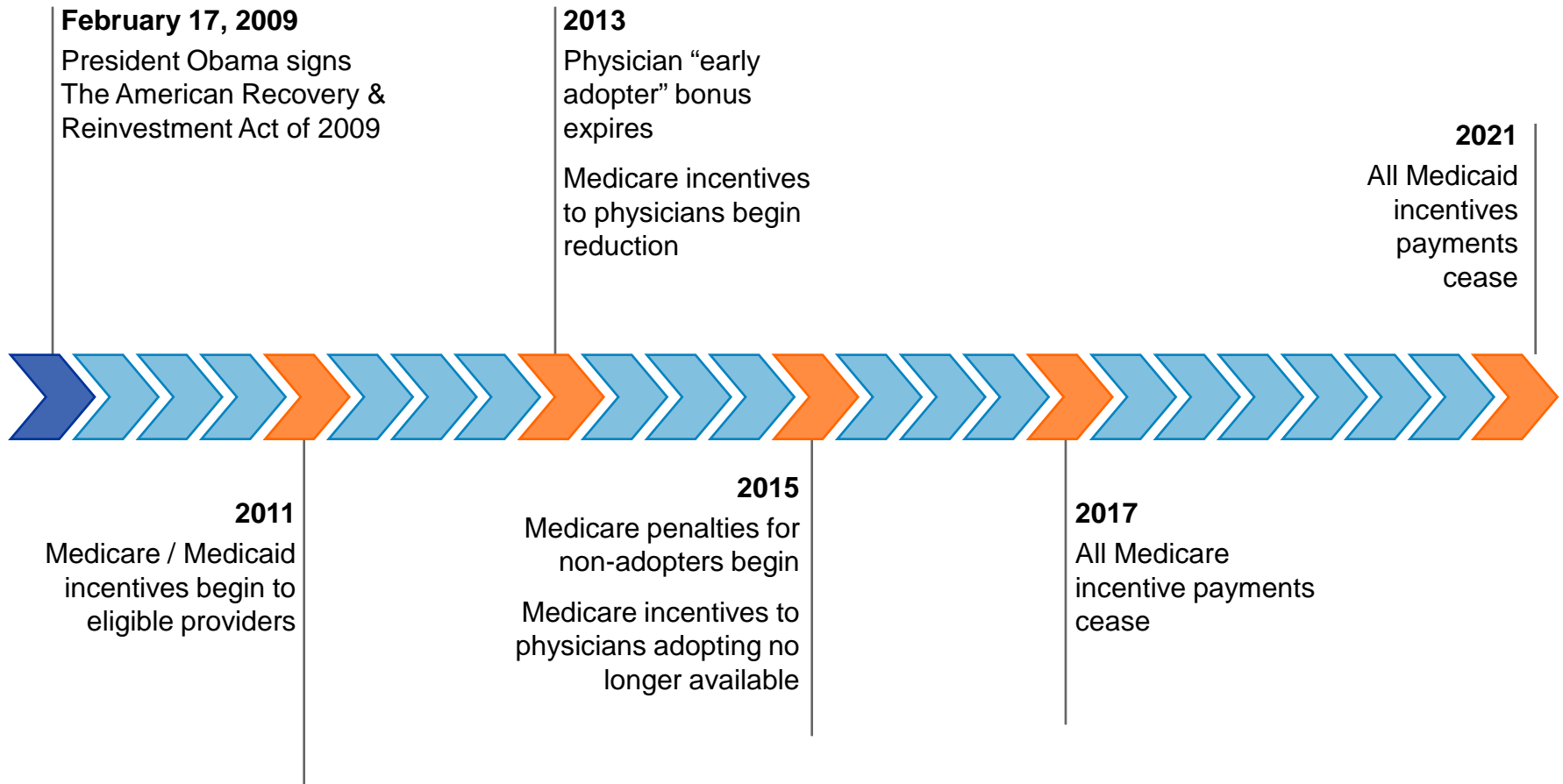
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# Next Steps and Discussion

## Timeline for Medicare and Medicaid





# Next Steps and Discussion

*Several key questions remain to be answered*

- ▶ What is the definition of “meaningful use” for a particular period?
- ▶ What costs qualify as “net average allowable costs” under Medicaid?
- ▶ What is the standard / requirement for certification and interoperability?
- ▶ What funding may be available for providers who are not eligible?

# Next Steps and Discussion

Q & A

# MCKESSON

*Empowering Healthcare*