

Economic Stimulus Package Provides Incentives for Physicians to Increase Utilization of Technology

The passage of the American Recovery and Reinvestment Act provides incentives for office-based physicians and other providers to tap into the power of electronic health records (EHRs). Physicians, hospitals and health systems may be eligible to benefit from the incentives, whether through first-time deployment of EHRs or completion of existing healthcare IT projects.

Snapshot of the Stimulus Package:

- Plan includes \$19 billion to accelerate EHR and other IT adoption by office-based physicians
- Medicare provision includes incentives up to \$44,000 per physician over a 5-year period
- Medicaid provision includes incentives up to \$63,750 per physician over a 6-year period
- Funds become available for office-based physicians on January 1, 2011
- Physicians who do not adopt EHR technology will see reduced Medicare payments starting in 2015
- Funding and incentives are tied to demonstrating “meaningful use” of a certified EHR

Incentive Overview

Physicians can qualify under either the Medicare or Medicaid provision. Physicians must be office-based to be eligible, and they can not collect incentive payments from both.

Qualifying for Incentives

In order to qualify for the incentives, physicians must demonstrate “meaningful use” of a certified EHR. “Meaningful use” is not yet defined, but will likely be defined as measurable results that demonstrate quality, safety and efficiency improvements. Required product capabilities are likely to be electronic prescribing, clinical reporting and interoperability.

Certified EHR

The certification requirements necessary to qualify for funding are not yet known. Many industry experts believe that any new certification requirements will be based on the standards adopted by the Certification Committee for Healthcare Information Technology (CCHIT).

Medicare Provision

Beginning in 2011, office-based physicians who are “meaningful users” of certified EHRs are entitled to receive up to \$44,000 of total Medicare incentive payments over 5 years—from 2011 to 2015. The structure of the maximum incentives physicians can receive is as follows:

- \$15,000 the first year
- \$12,000 the second year
- \$8,000 the third year
- \$4,000 the fourth year
- \$2,000 the fifth year

Additionally, office-based physicians can qualify for a one-time, “early adopter” incentive of \$3,000 if they qualify for the program in 2011 or 2012. Incentives are based on the lesser of either 75% of the provider’s Medicare Part B billings or the maximum allowable incentive.

Medicaid Provision

Beginning in 2011, office-based physicians who qualify under the Medicaid provision could collect a sum total of \$63,750—calculated as 85% of EHR costs not exceeding \$25,000 in the first year, followed by 85% of annual costs not exceeding \$10,000 over the next 5 years. To be eligible under this provision, office-based physicians must demonstrate “meaningful use” of a certified EHR, and more than 30% of their cases must be attributable to Medicaid, or 20% of their cases attributable to pediatrics. Office-based pediatricians are eligible to receive up to two-thirds of the maximum payment.

Payment Reduction

For office-based physicians who do not adopt EHR technology by 2015, Medicare payments will be reduced by:

- 1% in 2015
- 2% in 2016
- 3% in 2017 and beyond

In 2018 and beyond, the HHS Secretary may decrease one additional percent per year (maximum of 5%) contingent upon the levels of overall EHR adoption in the market.