

Economic Stimulus – Healthcare IT Incentives Frequently Asked Questions

What healthcare IT incentives are included in the American Recovery and Reinvestment Act?

As part of the *American Recovery and Reinvestment Act*, the U.S. government will invest more than \$19 billion to modernize and accelerate the use of health information technology – particularly electronic health records (EHRs) – by hospitals and physicians.

What role has McKesson played in the legislative process?

McKesson has been actively involved, meeting with members of President Obama's team before and after he took office, as well as with Congressional members and their staff. In December, McKesson formalized its [recommendations for healthcare IT investment](#) in a white paper that was posted on the change.gov Web site. We also are active participants in a number of industry associations to coordinate and communicate the interests of McKesson and its customers. We will continue to closely monitor the progress of this legislation and the many details that will need to be worked through in the coming weeks and months.

Who or what kinds of organizations will benefit from the healthcare IT incentives?

The incentives primarily benefit hospitals and office-based physicians. They are designed to reduce healthcare costs by accelerating the use of IT to improve quality, safety and efficiency. Ultimately, patients and caregivers also will benefit from the automation and connectivity enabled by EHRs.

What is the potential financial benefit of the healthcare IT incentives to physicians?

Each office-based physician who meaningfully uses a certified EHR could receive up to \$44,000 (Medicare) or \$64,000 (Medicaid) in government funding. Office-based physicians practicing in rural or underserved areas would be eligible for up to \$48,400 in Medicare incentives. It's important to note that these figures represent the maximum allowable incentives under the Medicare and Medicaid programs, and that physicians may only qualify for either the Medicare or the Medicaid funding, but cannot qualify for both.

When will the payments be made?

Funds become available for office-based physicians on January 1, 2011 (and are eligible to apply through January 1, 2012 and still receive full benefits). Providers should begin planning as soon as possible to allow time to achieve meaningful use of certified solutions during this time period.

Are there additional incentives for office-based physicians to adopt in the early years of the program?

Office-based physicians' maximum allowable Medicare incentive for the first year of meaningful use is increased by \$3,000, from \$15,000 to \$18,000, for meaningful EHR use in 2011 or 2012. This "early adopter" incentive raises the total amount physicians can qualify for from \$41,000 to \$44,000. A benefit for office-based physician early adoption does not exist under the Medicaid incentive program.

What are the penalties if healthcare providers do not implement an appropriate amount of technology and report quality data by 2015?

For office-based physicians who do not adopt such technology by 2015, Medicare payments will be reduced by the following factors in the years specified:

- 2015: One percent
- 2016: Two percent
- 2017 and beyond: Three percent
- 2018 and beyond: HHS Secretary may decrease one additional percent/year (max of 5%) if 75% of office-based physicians don't adopt technology by 2018

Who qualifies as an eligible professional?

“Eligible professionals” under the Medicare HIT incentive program are limited to physicians as defined in the Social Security Act (§1861(r)), which includes:

- A doctor of medicine or osteopathy
- A doctor of 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;
- Demonstrate meaningful use of a certified EHR; and
- Submit Medicare Part B claims of at least 133% of the maximum incentive for a program year to qualify for the maximum incentive payment.

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;
- Demonstrate meaningful use of a certified EHR; and
- Treat a patient population, of which at least 30% receive medical assistance (or 20% if the physician is a pediatrician).

Although the incentives are not dependent on the eligible provider being a participating Medicare provider, the incentive amounts available to any provider is the lesser of 133% of their annual billed Medicare Part B charges or the maximum payment specified for the year in the regulations. (For example, a provider would have to bill \$16,000 in Part B charges in order to qualify for a year in which the maximum allowable incentive payment is \$12,000.) There are no distinctions between specialty and primary care physicians in terms of the incentives, EXCEPT that hospital-based physicians do not qualify for the physician incentives.

Do hospital-based physicians qualify?

The legislation specifically states that hospital-based physicians do not qualify for the Medicare or Medicaid EHR incentives.

Do physician assistants, nurse practitioners, etc. qualify for the incentive?

Certified nurse mid-wives, nurse practitioners and physician assistants will not qualify under the Medicare provisions. These providers can receive Medicaid incentives provided that at least 30% of their patients receive medical assistance.

Who qualifies for the additional 10% rural health incentive for office-based physicians?

An “eligible professional” who predominantly furnishes services in a geographic area that is designated by the HHS Secretary as a health professional shortage area may receive a 10% increase in their annual payment.

What is meant by “meaningful use” of healthcare IT?

Funding and incentives are tied to “meaningful” use. While no one yet knows the full definition of meaningful use, preliminary descriptions include the following:

An eligible professional shall be treated as a meaningful EHR user for a reporting period for a payment year if the following requirements are met:

- **Meaningful use of certified EHR technology.** The eligible professional demonstrates to the satisfaction of the HHS Secretary, that during such period the physician is using certified EHR technology in a meaningful manner. The certified EHR shall include the use of electronic prescribing as determined to be appropriate by the HHS Secretary.
- **Information exchange.** The eligible professional demonstrates to the satisfaction of the HHS Secretary that during such period such certified EHR technology is connected in a manner that provides, in accordance with law and standards applicable to the exchange of information, for the electronic exchange of health information to improve the quality of health care, such as promoting care coordination.
- **Reporting of measures using EHR.** Using such certified EHR technology, the eligible professional submits information for such period, in a form and manner specified by the HHS Secretary, on such clinical quality measures and such other measures as selected by the HHS Secretary. The HHS Secretary shall seek to improve the use of EHRs and healthcare quality over time by requiring more stringent measures of meaningful use selected under this paragraph.

Will the incentives be applied to systems already in use, or will they be applied to the purchase of new systems only?

The incentives are available to meaningful users of certified IT systems described in the legislation regardless of when they were implemented. The qualifier is the date at which the eligible provider can demonstrate meaningful use of the certified technology.

To qualify for the healthcare IT incentive, the legislation calls for the use of certified systems. What certification criteria will be used?

The legislation does not name a specific certification process or criteria. McKesson supports a collaborative effort among all healthcare stakeholders to develop the uniform standards, coordinated policies and necessary infrastructure to support secure health information exchange and to promote interoperability among health IT systems. Industry experts believe there is a likelihood new certification requirements will be based on the standards that have been adopted by CCHIT. McKesson has been deeply involved in this important work.

Does McKesson have a certified ambulatory EHR?

The certification requirements necessary to qualify for funding are not known yet and may not be for quite some time. Industry experts believe there is a likelihood new certification requirements will be based on the standards that have been adopted by CCHIT. CCHIT Certified product certification designates that a health information technology product has been tested against a set of functionality, interoperability and security criteria and has passed inspection of 100 percent of the criteria.

- Practice Partner® Patient Records, McKesson's EHR solution for affiliated and independent physicians, is one of only a few ambulatory electronic health record systems to have met CCHIT certification requirements every year since the 2006 inception of CCHIT. Most recently, Practice Partner Patient Records Version 9.3 became a CCHIT Certified® product for CCHIT Ambulatory EHR 2008 and Child Health.
- Horizon Ambulatory Care™, McKesson's EHR solution for hospital-employed physicians and large practices, was among the first ambulatory EHR solutions to be CCHIT-certified in 2006. Horizon Ambulatory Care Release 9.4 is a CCHIT Certified product for CCHIT Ambulatory EHR 2006. McKesson plans to reapply for certification against the 2009 Ambulatory EHR criteria with Release 10.1.