

Economic Stimulus Package

Healthcare IT Incentives for Health Systems

The passage of the American Recovery and Reinvestment Act (ARRA) of 2009 provides incentives for health systems and other providers to tap into the power of electronic health records (EHRs). Hospitals, health systems and office-based physicians may be eligible to benefit from the incentives, whether through first-time deployment of a certified EHR or completion of existing healthcare IT projects that otherwise meet the ARRA requirements.

Snapshot of the Stimulus Package

- Plan includes \$19 billion to accelerate EHR and other IT adoption
- Incentives estimated to be:
 - \$2 million – \$8 million for most hospitals
 - Up to \$63,750 for office-based physicians
- Funds expected to become available:
 - For hospitals Oct. 1, 2010
 - For office-based physicians Jan. 1, 2011
- Hospitals not adopting technology will see reduced Medicare payments starting in 2015
- Funding and incentives are tied to demonstrating “meaningful use” of a certified system

Reduce Payments

Medicare penalties for hospitals begin in 2015 through reductions in market basket adjustments:

- 2015: 25% cut in applicable increase
- 2016: 50% cut in applicable increase
- 2017 and beyond: 75% cut in applicable increase

Incentive Overview

Beginning in 2010, hospitals that demonstrate “meaningful use” of certified systems could receive an estimated \$2 million - \$8 million over four years. Medicare and Medicaid offer separate incentives for organizations. Hospitals may receive funding under the Medicare or Medicaid incentives, but not both.

Qualifying for the Incentives

To qualify for the incentive funds, hospitals must prove “meaningful use” of certified EHR systems. “Meaningful use” has yet to be defined, but will likely call for measurable results demonstrating quality, safety and efficiency improvements. Required product capabilities could include computerized physician order entry (CPOE), clinical quality reporting and interoperability. Qualification criteria may be altered and expanded on an annual basis.

Certified Systems

The system certification requirements 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

The Medicare incentives for hospitals and health systems are based on inpatient discharges and Medicare patient share. Hospitals must qualify by 2013 to receive the maximum incentive amount, and no funding will be paid after 2016.

Medicare incentive payments will be calculated per hospital using the following formula:

$$\text{Initial Amount} \times \text{Medicare Share} \times \text{Transition Factor}$$

Initial amount of funding is based on \$2 million plus an additional \$200 per inpatient discharge for discharge totals between 1,150 and 23,000.

Medicare Share is based on inpatient bed days with exclusions for charity care.

The **Transition Factor** scales from 100% payment eligible in the first year of payment to 25% in the fourth year of payment.

Medicaid Provision

The Medicaid incentives are designed to pay for the cost of a certified IT system including the purchase of the system itself, implementation, training and maintenance, up to a maximum dollar amount. Hospitals must qualify by 2016 to receive the maximum incentive amount, and no funding will be paid after 2021.

The Medicaid per-hospital funding amount cannot exceed any of the following:

- Cost of the system x Medicaid Share
- 50% of the system cost in any given year
- 90% of the system cost in any two-year period

Under the Medicaid incentives, “meaningful use” of the system is not required for the provider to receive its first year’s payment, but “meaningful use” must be achieved by the second payment year.

Taking the Lead: Achieve HIT

At McKesson, we believe health systems that take advantage of technology, focus on improving clinical outcomes, and position themselves for stimulus funding stand a better chance of surviving current economic challenges and emerging as leaders.

To help providers plan and prepare to qualify for the healthcare IT (HIT) incentives, McKesson recently launched the **Achieve HIT** program. In addition to educational sessions on the latest information we have from Capitol Hill, the program includes clinical assessments and other activities to help you develop a strategy to accelerate HIT adoption and qualify for the incentives.

Next Steps

Now is the time to evaluate your current IT plan in light of your overall strategy and potential funding from

the government incentives. You should consider what it might take to achieve "meaningful use," both in terms of your target year for reaching that point and possible trade-offs to other parts of your strategic plan. You also should take into account the IT needs that are critical to your physician alignment strategy.

Information Exchange

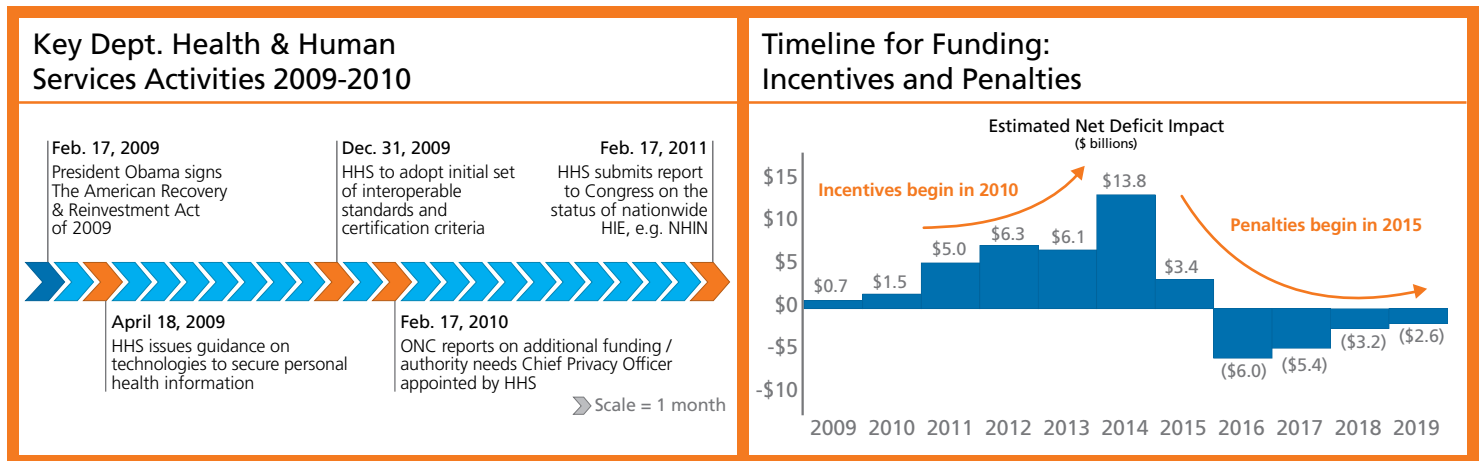
Providing secure connectivity for your physician community will be critical as physicians adopt EHR technology and gain the ability to share healthcare information with your organization, physicians, labs and more. Putting that infrastructure in place now positions your organization to differentiate itself in the community and lead their efforts.

McKesson welcomes the opportunity to take an active role in the planning and delivery of an IT strategy that supports

your ability to provide safe, efficient and better connected care. As the leader in healthcare IT, we offer proven systems with sophisticated analytics that support the measurement of IT use and impact. McKesson has the resources to meet the needs of all affected providers: small hospitals and large health systems, employed physicians, and small and large physician practices.

For More Information

To learn more about the economic stimulus incentives and EHRs, visit www.mckesson.com/EHR.



McKesson Provider Technologies

5995 Windward Parkway
Alpharetta, GA 30005

<http://www.mckesson.com>