CALIFORNIA HEALTHCARE FOUNDATION

An Unprecedented Opportunity:

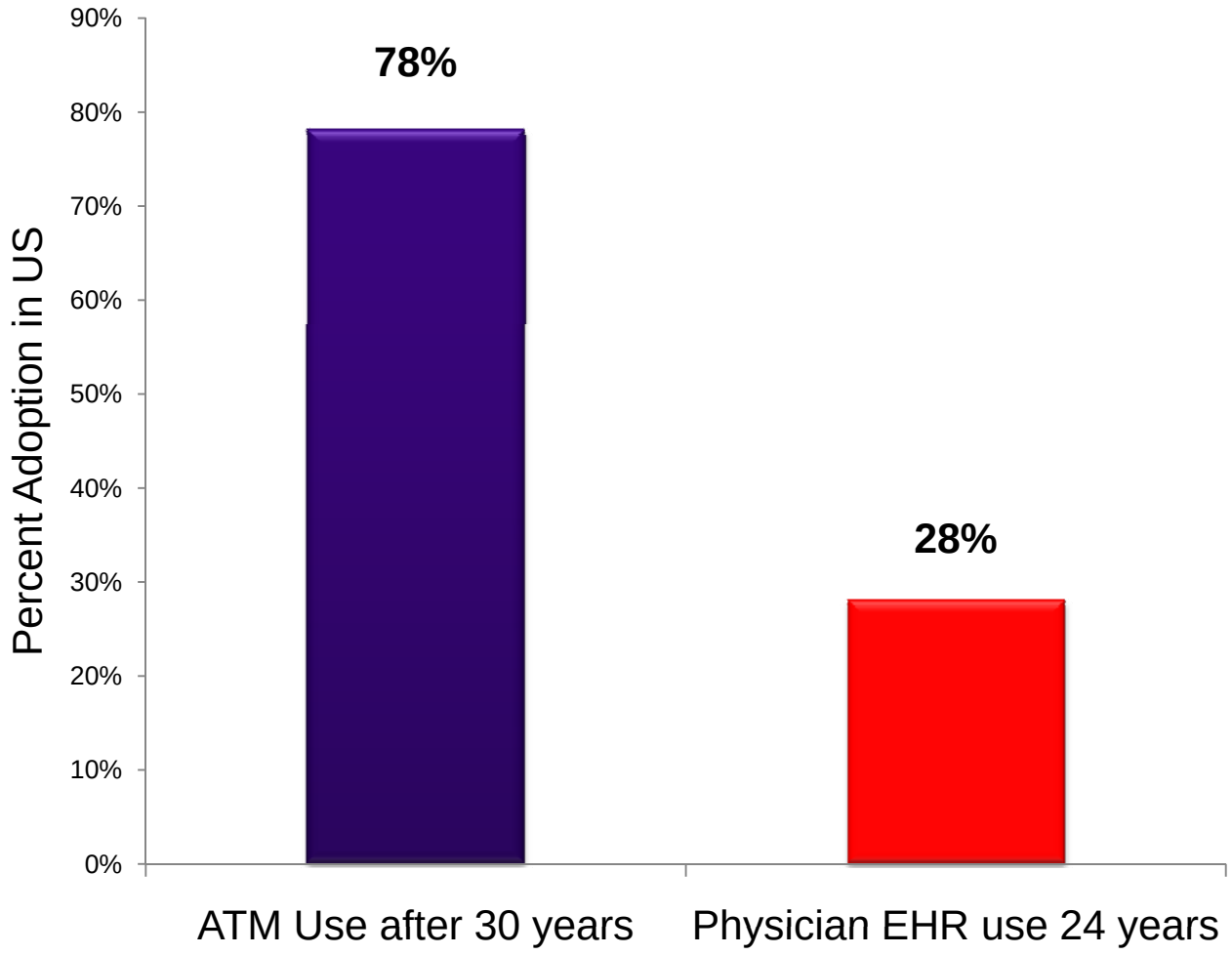
Using Federal Stimulus Funds to Advance Health IT in California

Analysis and Recommendations
Sacramento Briefing
February 26, 2009

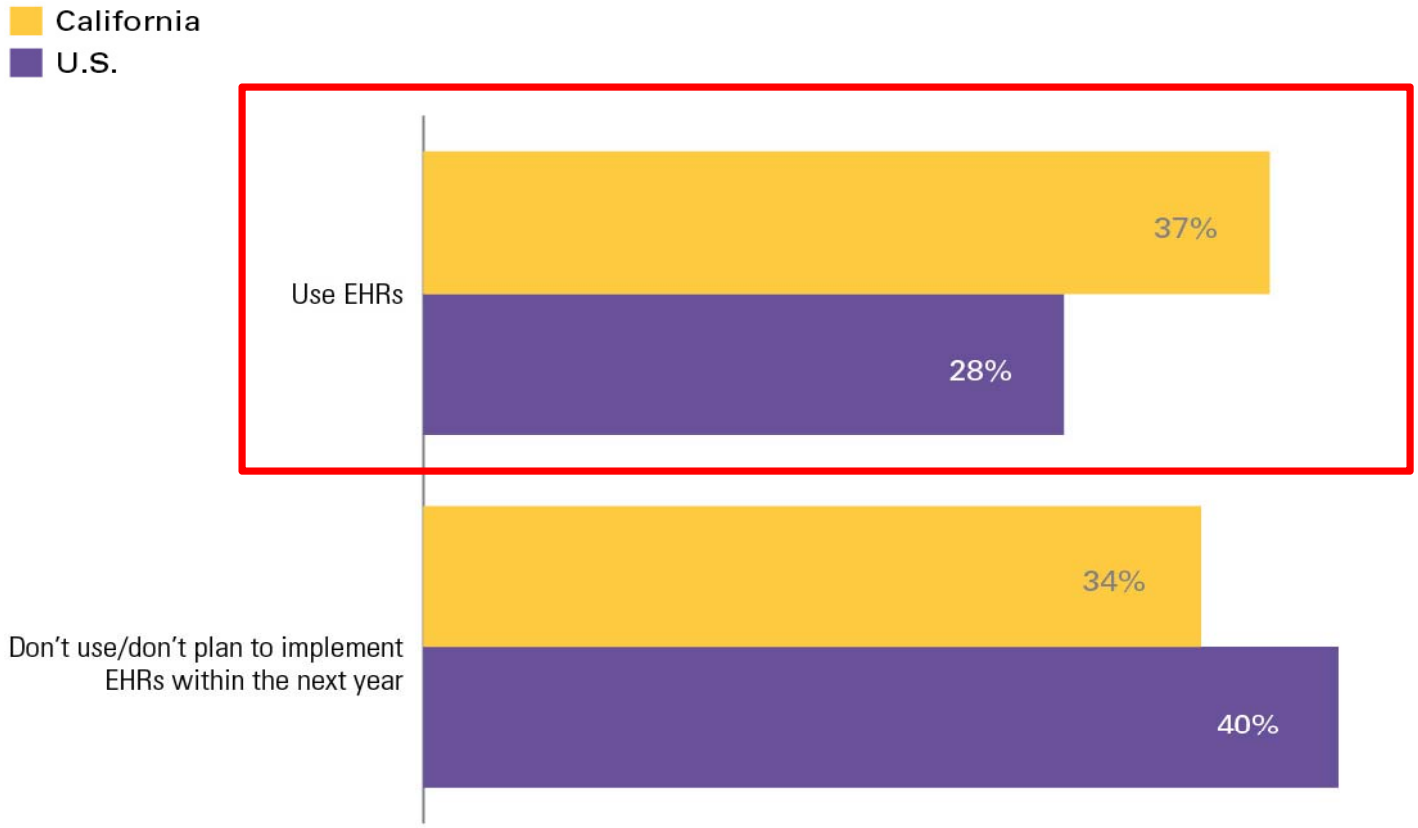
Today's Program

- Welcome & Overview – Jonah Frohlich (10 min.)
- Policy Analysis – Bill Bernstein (30 min.)
- California Recommendations – Sam Karp (15 min.)
- Questions & Answers (30 min.)
- Evaluation Form & Box Lunch

Health Care as a Cottage Industry

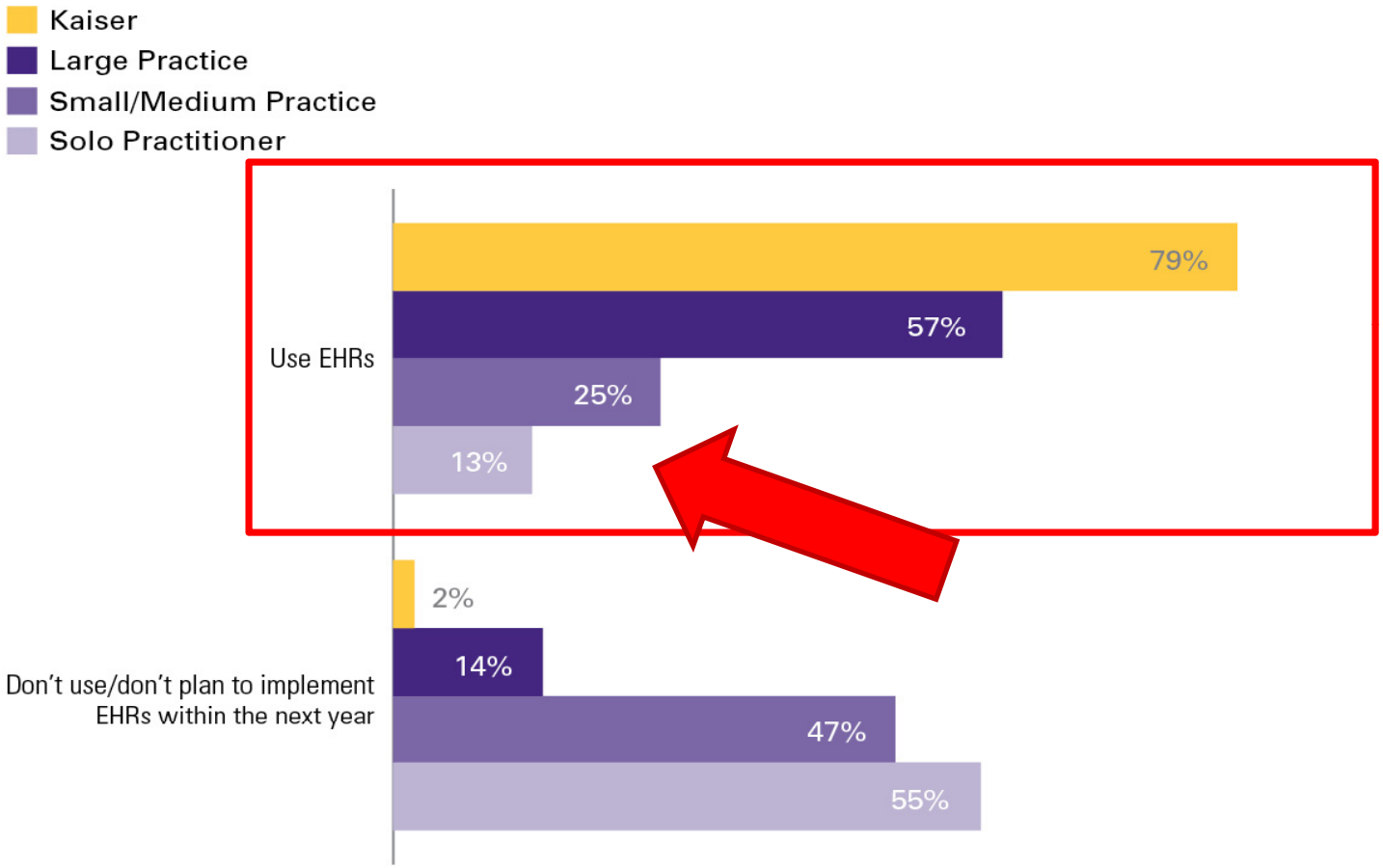


Individual Physician Use of Electronic Health Records,
California vs. U.S., 2007



Source: *Health Perspectives in California. 2007 Survey of Primary Care Physicians.* Harris Interactive. June 2007.

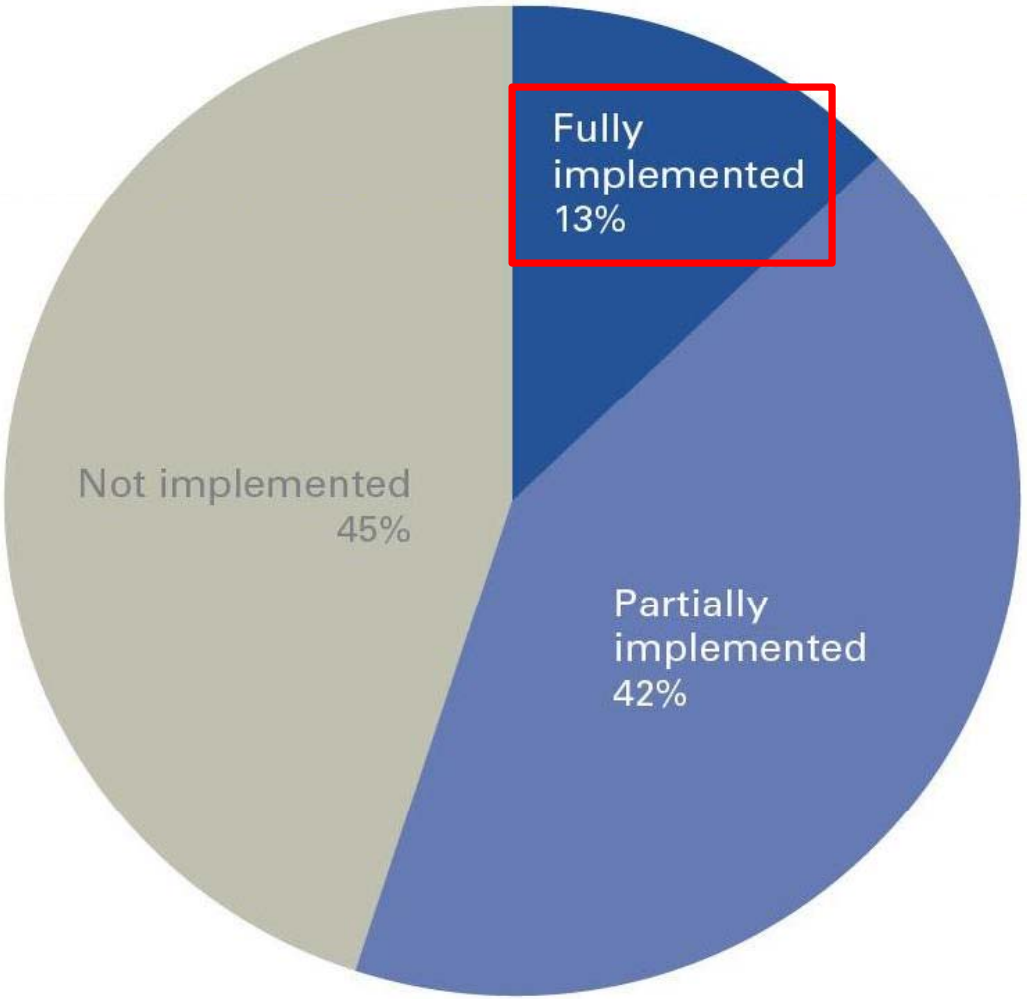
Physician Use of EHRs, by Practice Size,
California, 2007



Notes: Large practice is 10 or more physicians; small/medium practice is 2 to 9 physicians (excluding Kaiser).

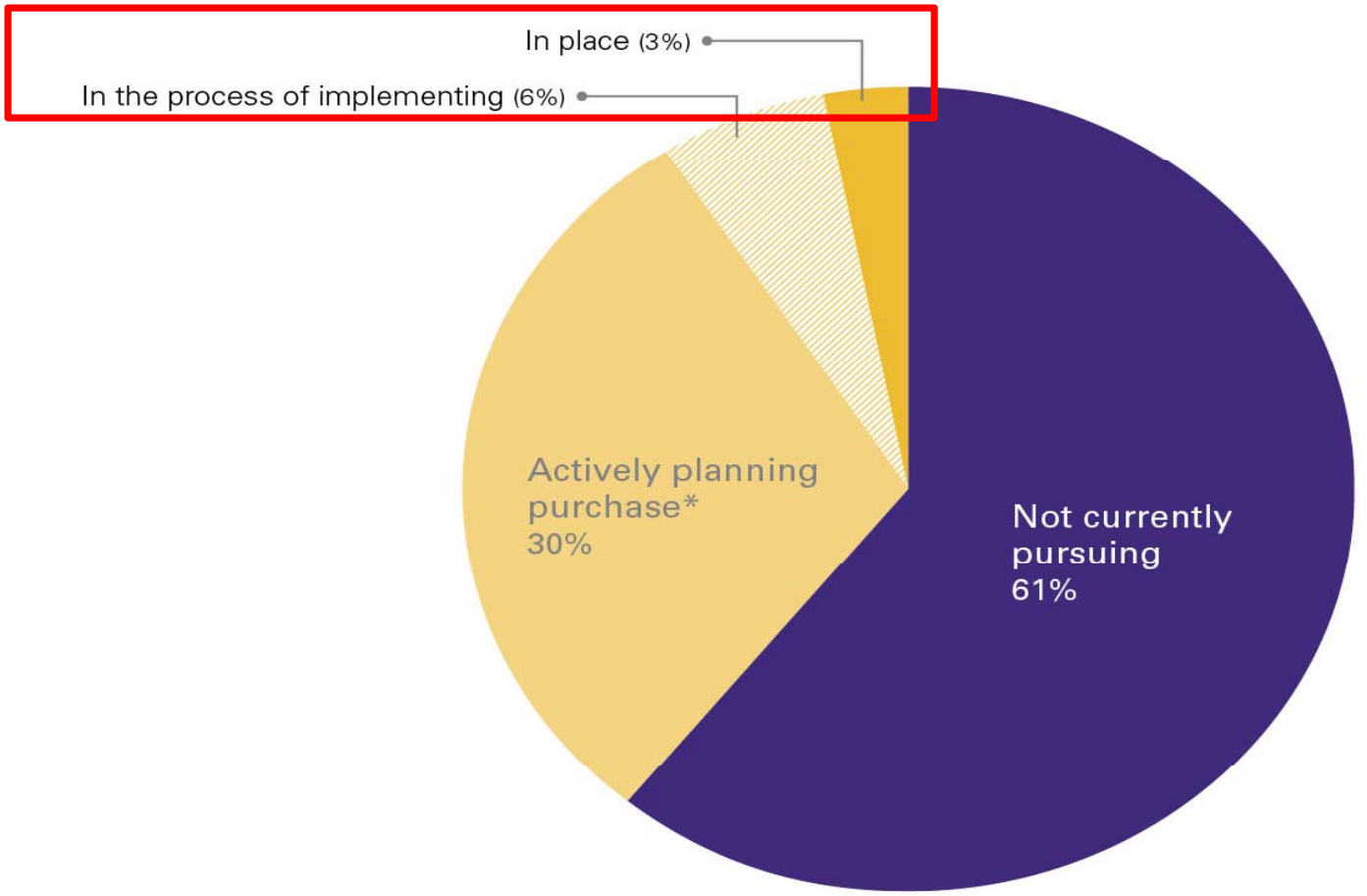
Source: *Health Perspectives in California. 2007 Survey of Primary Care Physicians.* Harris Interactive. June 2007.

Use of EHRs at Hospitals, California, 2006/2007



Source: *American Hospital Association and California Hospital Association Health Information Technology Surveys.* 2006/2007.

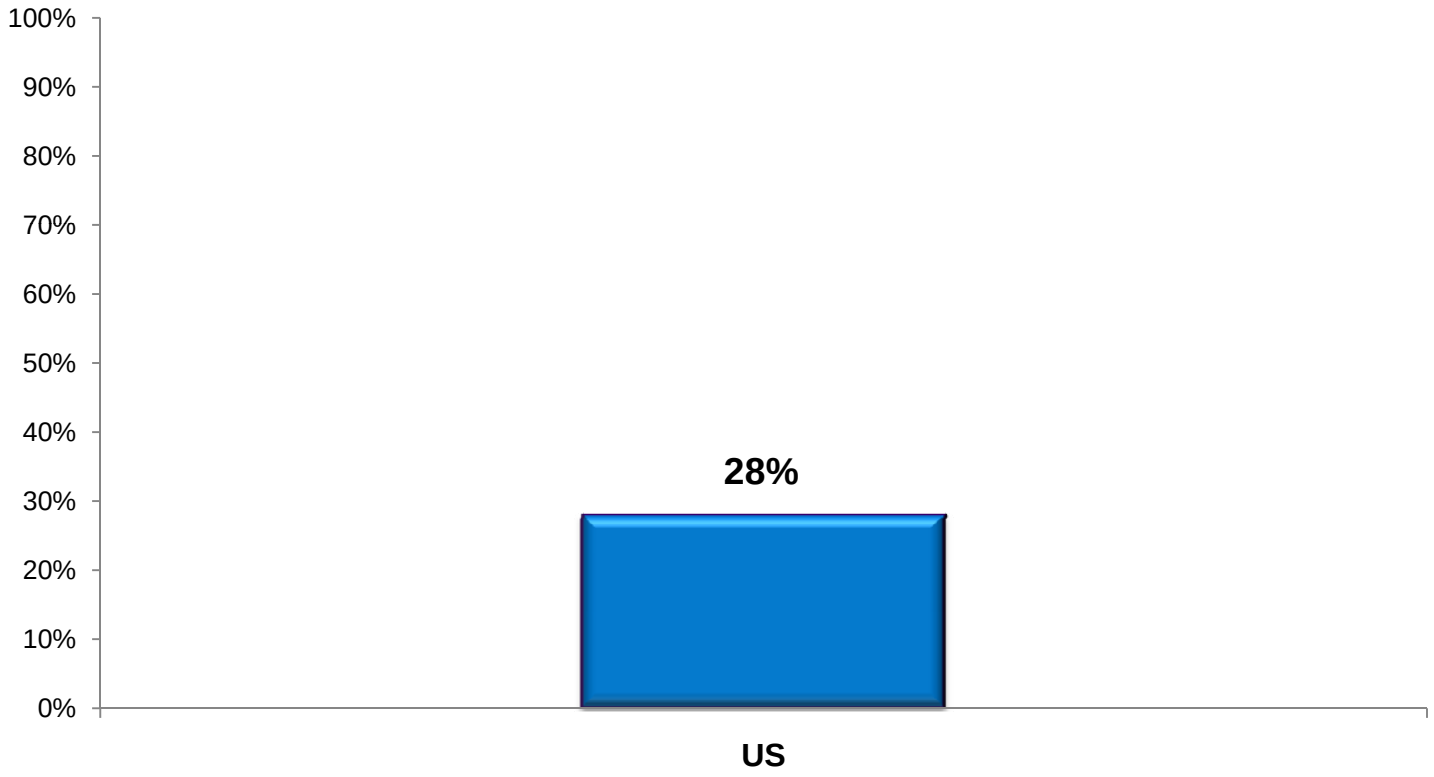
Use of EHRs at Community Clinics, California, 2005



*E.g., has an operating EHR planning committee, is writing a request for proposals (RFP) from EHR vendors, or has issued an RFP.

Source: *2005 Information Management Assessment. Medical Director Survey.* Community Clinics Initiative.

“Meaningful Use” of Ambulatory EHRs in the US



New England Journal of Medicine, Catherine M. DesRoches et al, July 3, 2008

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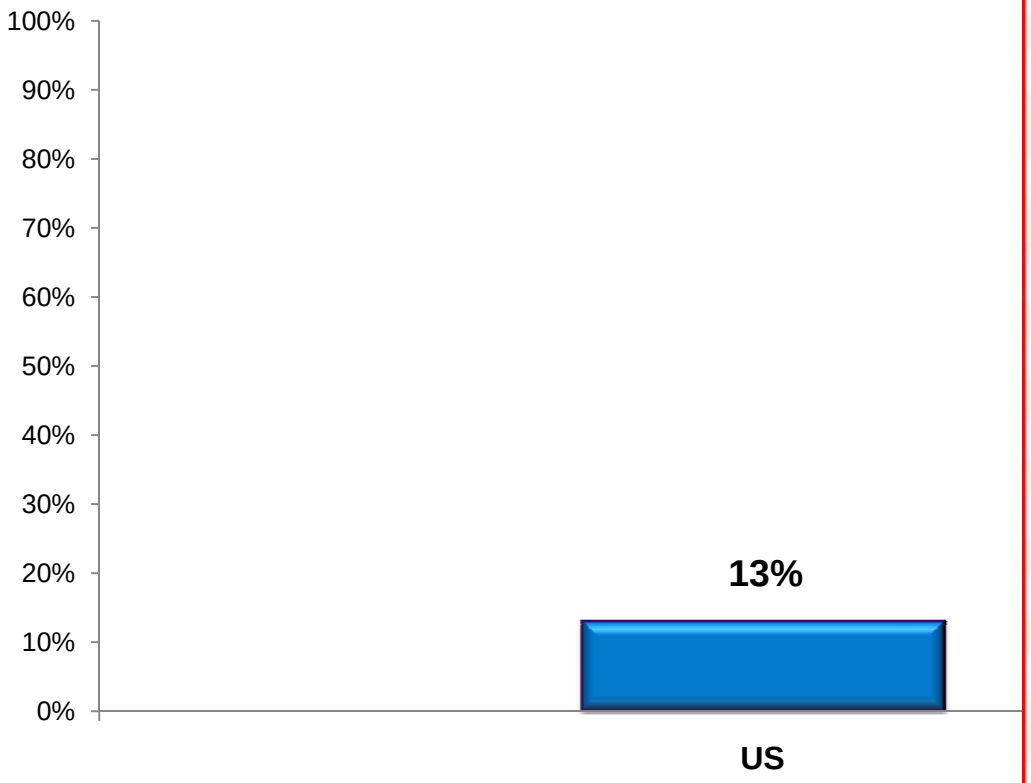

Survey Response	Basic System
Does your main practice site have a computerized system for any of the following?	
Health information and data	
Patient demographics	X
Patient problem lists	X
Electronic lists of medications taken by patients	X
Clinical notes	X
Notes including medical history and follow-up	
Order-entry management	
Orders for prescriptions	X
Orders for laboratory tests	
Orders for radiology tests	
Prescriptions sent electronically	
Orders sent electronically	
Results management	
Viewing laboratory results	X
Viewing imaging results	X
Electronic images returned	
Clinical-decision support	
Warnings of drug interactions or contraindications provided	
Out-of-range test levels highlighted	
Reminders regarding guideline-based interventions or screening	

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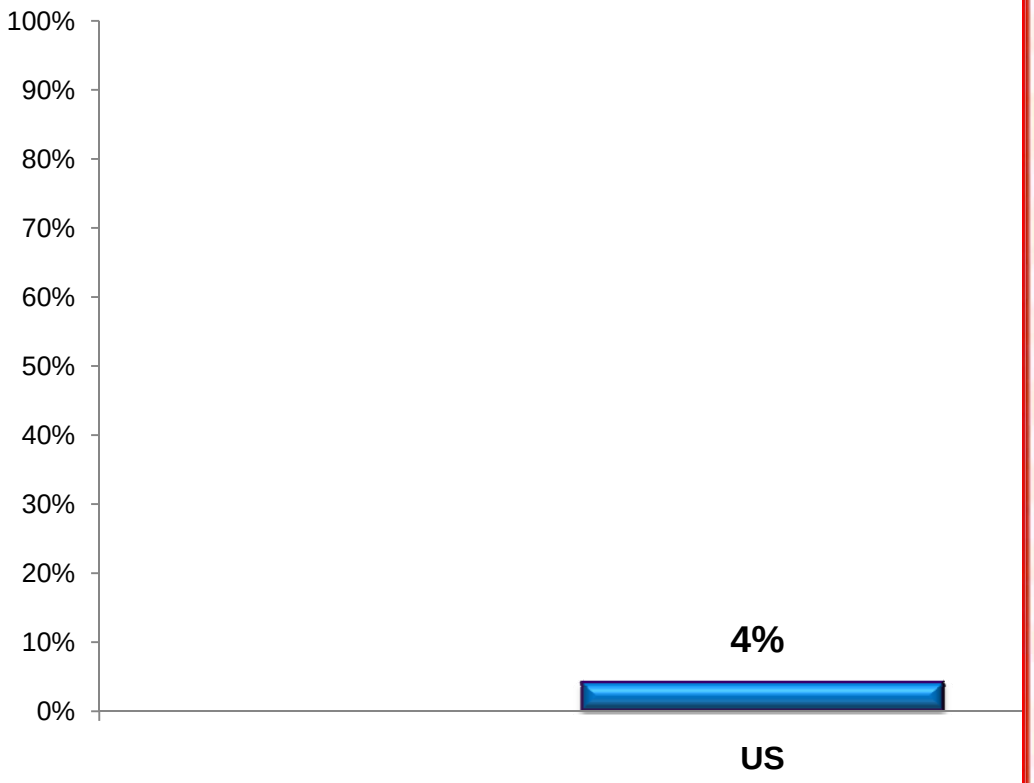
“Meaningful Use” of Ambulatory EHRs in the US



Survey Response	Fully Functional System
Does your main practice site have a computerized system for any of the following?	
Health information and data	
Patient demographics	X
Patient problem lists	X
Electronic lists of medications taken by patients	X
Clinical notes	X
Notes including medical history and follow-up	X
Order-entry management	
Orders for prescriptions	X
Orders for laboratory tests	X
Orders for radiology tests	X
Prescriptions sent electronically	X
Orders sent electronically	X
Results management	
Viewing laboratory results	X
Viewing imaging results	X
Electronic images returned	X
Clinical-decision support	
Warnings of drug interactions or contraindications provided	X
Out-of-range test levels highlighted	X
Reminders regarding guideline-based interventions or screening	X

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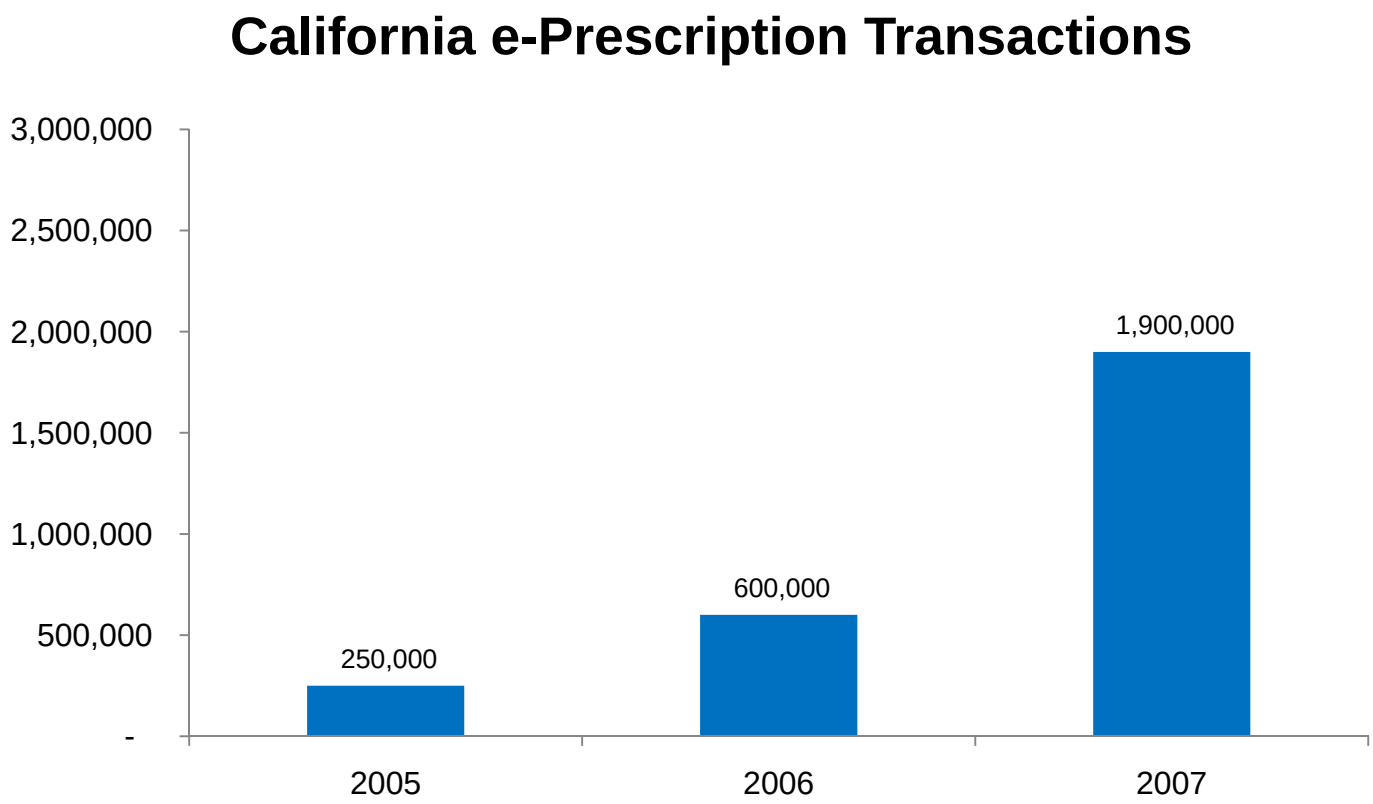
Provider Adoption of e-Prescribing

Electronic transactions have tripled in the last year.



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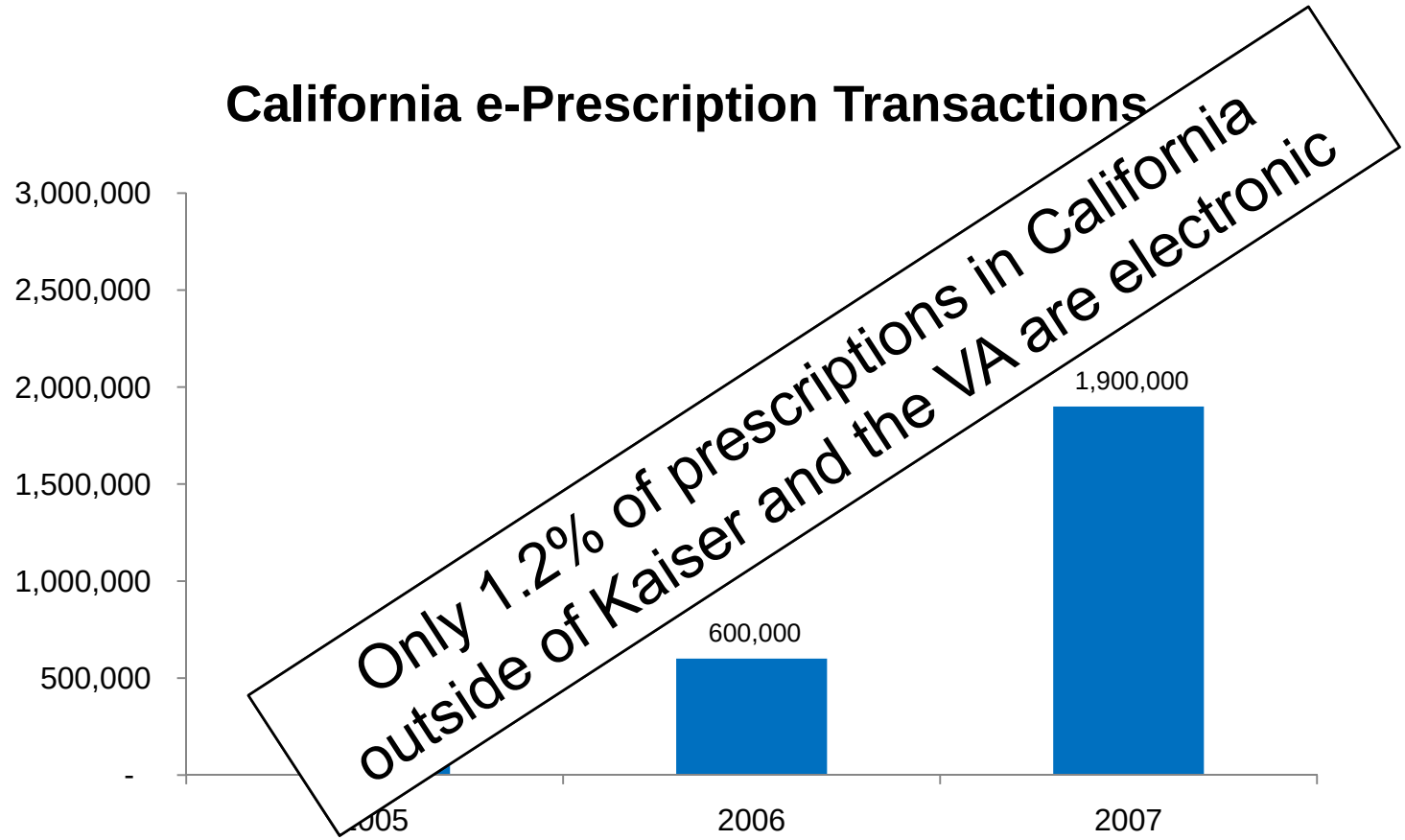


HITECH Is Game-Changing

- 10,000% increase in federal spending on health IT
- Contains as many risks as opportunities
- Provides a “down payment” on health reform

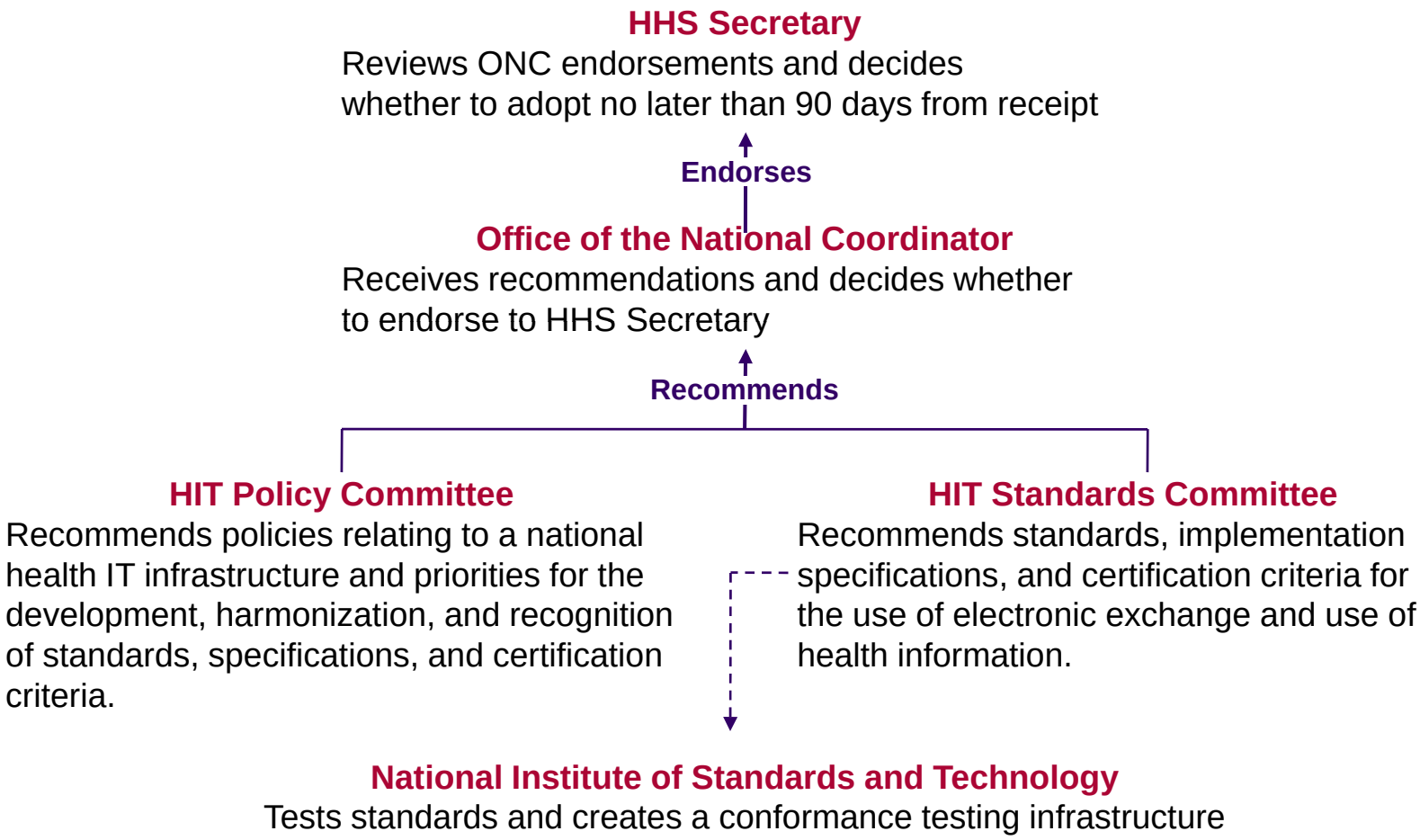
Still needed:

- Payment reform
- Lower-cost models of care
- Increased patient participation in their own care

Policy Analysis

- Federal Policy and Standards Development
- New Privacy Provisions
- HITECH Funding Flows
- Medicare & Medicaid EHR Incentive Programs
- “Meaningful Use” of EHRs
- Health Information Exchange
- Related Areas of Funding

Policy Analysis
Federal Policy and Standards Development



Source: Manatt Health Solutions analysis of federal HITECH Act Legislation.

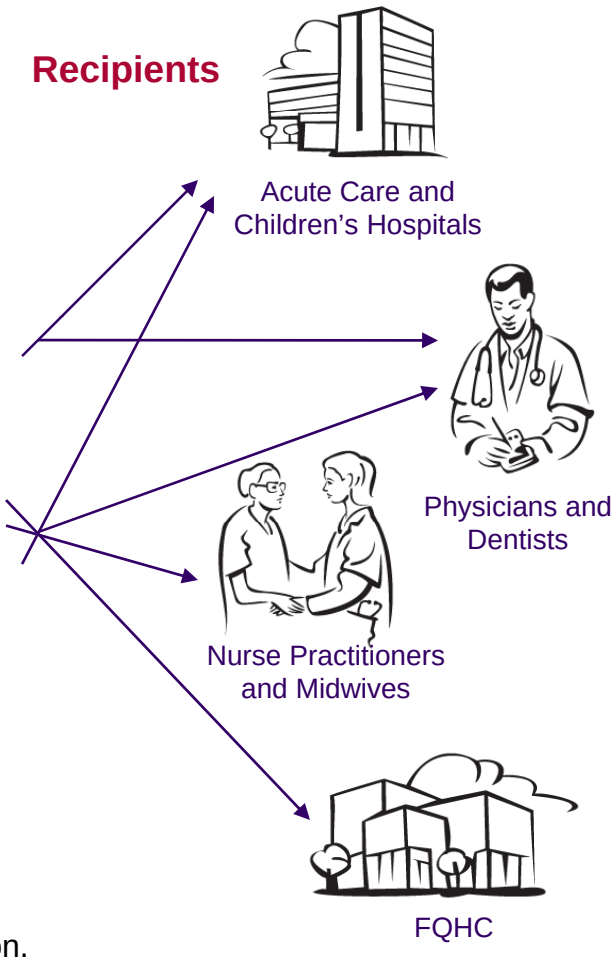
Policy Analysis
New Privacy Provisions

- Extension of HIPAA to Business Associates
- Security Breach Notification Mandate
- New Use and Disclosure Restrictions
- Consumer Access Requirements
- Increased HIPAA Enforcement

Policy Analysis
Funding Flows – Entitlement Funds

Entitlement Funds (roughly $34 billion in gross outlays)

Program	Distribution Agency*	Use of Funds
Medicare Payment Incentives	CMS	Incentive Payments through Carriers
Medicaid Payment Incentives	CMS and states	Incentive Payments through State Agencies

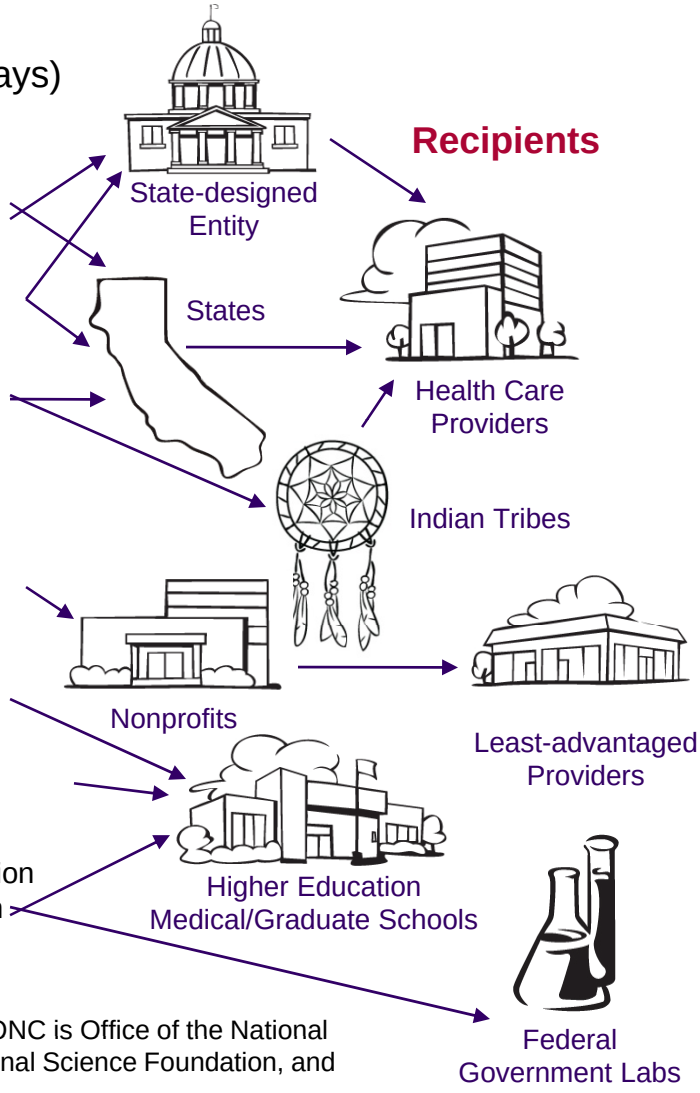


Source: Manatt Health Solutions analysis of federal HITECH Act Legislation.
CMS is Center for Medicare & Medicaid Services.

Policy Analysis
Funding Flows – Appropriated Funds

Appropriated Funds (roughly $2 billion in gross outlays)

Program	Distribution Agency	Use of Funds
HIE Planning and Development	ONC	Planning Grants Implementation Grants
EHR Adoption Loan Program	ONC	Loan Funds
Health IT Extension Program	ONC	Health IT Research Center Regional Extension Centers
Workforce Training Grants	HHS, NSF	Medical Health Informatics EHR in Medical School Curricula
New Technology Research and Development Grants	NIST, NSF	Health Care Information Enterprise Integration Research Centers



Source: Manatt Health Solutions analysis of federal HITECH Act Legislation. ONC is Office of the National Coordinator, HHS is Department of Health and Human Services, NSF in National Science Foundation, and NIST is National Institute of Standards and Technology.

Policy Analysis
Medicare and Medicaid EHR Adoption Incentives

	Medicare	Medicaid
Funding mechanism(s)	Federal Incentive Payments	Federal Incentive Payments 90% state matching payments (for administration costs)
Payment Agent	Medicare carriers and contractors	State Medicaid agencies
Payment Recipients	Hospitals and physicians	Hospitals, physicians, NPs, dentists, mid-wives, **third-party entities promoting EHR adoption** State Medicaid agencies for program admin
Amounts for Hospitals	**$2 million base amount** Plus increases for annual discharges, number of inpatient days attributable to Medicare, and charges attributable to Medicare	**$2 million base amount** Plus increases calculated using similar methodology as Medicare incentive Eligible entities include Acute Care and Children's Hospitals
Amounts for physicians & others	**Up to $44,000** Over five-year period	**Up to $64,000** Over five-year period covering up to 85% of eligible implementation costs

Policy Analysis
Existing "Meaningful Use" Definition

- Use of EHR in a meaningful manner, which includes electronic prescribing (eRx)
- Capable of exchanging electronic health information to improve the quality of health care, such as promoting care coordination
- Submission of information on clinical quality measures
- Other measures as determined by HHS Secretary

Policy Analysis
Health Information Exchange (HIE)

- Development of a state plan
- State or state-designated entity to carry it out
- Compete for planning or implementation grants

State-Designated Entity (SDE) Requirements

- Nonprofit with representative governing structure
- Defined technical plan and clinical use cases
- Policy guidance for privacy and security

Policy Analysis
Related Areas of Funding

Broadband and Telehealth

- $4.3B for broadband and $2.5B for distance learning / telehealth grants
- Directs ONC to invest in telehealth infrastructure and tools and FACA Policy Committee to consider telehealth recommendations

Comparative Effectiveness

- $1.1B to HHS for comparative effectiveness research
- Establishes Federal Coordinating Council to assist government to coordinate the conduct or support of CER and related health services

Key California Recommendations

1. Appoint a Deputy Secretary of Health IT
2. Select a State-Designated Entity for HIE
3. Facilitate Medi-Cal Incentive Payments
4. Engage Federal Officials and Policymakers
5. Authorize Matching Funds
6. Provide Technical Guidance and Education on Health Privacy Issues

Estimate of California HITECH Funding

Program	Federal Allocation*	California Fair Share Estimate
Medicare EHR Incentive Program	$20 billion	$2 billion (at 10%)
Medicaid EHR Incentive Program	$14 billion	$1.4 billion (at 10%)
Other Grant Programs	$2 billion	TBD

*Congressional Budget Office (CBO) estimate of outlays.

California Recommendations:
Appoint a Deputy Secretary of Health IT

- CHHSA must play leadership role in developing overall state plan
- Coordinate and drive health IT and HIE implementation
- Prioritize strategic investments and competitive grant applications

California Recommendations:
Select a State-Designated Entity

- Establish criteria and facilitate transparent collaborative selection process
- Ensure adequate public/private participation
- Compete for implementation funds
- Consistent with California's Health IT Financing Advisory Commission recommendation

California Recommendations:
Facilitate Medi-Cal Incentive Payments

- Engage with federal officials on how California providers can meet “meaningful use” definition
- Develop statewide plan for adoption of EHRs among Medi-Cal providers
- Assure new Medi-Cal Management Information System (MMIS) can address requirements for tracking, reporting and payment
- Annual report to Legislature on adoption progress

California Recommendations:
Engage Federal Officials and Policymakers

- Engage, engage, engage… to represent California's interests in the federal rule making process and development of:
  - Policies
  - Standards and certification criteria
  - Rules, regulations and definitions
  - Grant guidelines
  - Funding levels

California Recommendations:
Authorize Matching Funds

- Identify and estimate matching fund requirements
- Assess opportunities for General Fund, non-General Fund and use of in-kind match
- Leverage, leverage, leverage….

California Recommendations: Provide Technical Guidance and Education on Health Privacy Issues

Technical Guidance

- Clarify the interplay between state and federal law, especially in light of recently enacted SB 541 (Alquist) and AB 211 (Jones)

Educate Patients, Consumers, and the Public

- What new rights and enforcement measures are available
- Combat “privacy-protected behavior”

California Recommendations:
Workforce, R&D, and Broadband

- Significant job creation opportunities
- Interdisciplinary task force to assess R&D opportunities
- Broadband service development and expansion

Questions & Answers

Thank You for Attending!

Please complete the evaluation form and enjoy the box lunch.

Follow-up questions:

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