

Understanding ARRA EMR Incentives and ROI

Government offers up to \$44,000 in incentives—if you act before 2011

A new act signed into law by President Obama in February 2009 includes \$20 billion in incentives for medical professionals who provide Medicare or Medicaid services and use electronic medical records. But act fast: Doing so could get you as much as \$44,000, while late adapters will have their fee schedules reduced.

Medical professionals who implement electronic medical records (EMR) are eligible to receive as much as \$44,000 in incentives per professional, thanks to the American Recovery and Reinvestment Act (ARRA) of 2009 signed into law by President Obama on February 17, 2009.

The ARRA—which is intended to stimulate the economy through spending on infrastructure, education, and health care, to name just a few areas—includes more than \$20 billion to aid the development of a robust IT systems in the health care sector.

How can you benefit? This paper introduces the incentive program and answers some common questions. Note, however, that many aspects of the program are still in development.

Who is Eligible?

Medicare and Medicaid providers are eligible for incentives. There are two incentive programs: one for Medicare providers, and one for Medicaid providers. If you provide both Medicare and Medicaid services, you must choose one of the incentive programs based on your qualifications and the benefits provided. The following information describes both programs based on currently available information.

Medicare Incentives

To be eligible for Medicare incentives, you must meet three requirements: You must be an **eligible professional** who is a **meaningful user** of **certified EMR technology**. Let's look at each requirement separately.

Eligible professionals. Eligible professionals include doctors of medicine (MDs), doctors of osteopathy (DOs), doctors of dental surgery (DDSs), doctors of dental medicine (DDMs), doctors of podiatric medicine (DPMs), doctors of optometry (ODs), and chiropractors. Hospital-based professionals such as pathologists, emergency room physicians, and anesthesiologists are excluded. The law only requires that doctors be Medicare providers; it does not mandate that they see a certain percentage of Medicare patients.

Meaningful use. To be a meaningful user, you must meet three requirements.

1. You must use electronic prescribing functionality, meaning you must send prescriptions to pharmacies electronically.
2. You must have an EMR that provides for the electronic exchange of health information in a manner designed to improve the quality of health care, meaning your EMR must connect to other EMRs such as those at hospitals and other provider practices.
3. You must submit statistical information on quality of care to the government so it can determine if EMRs are improving the health care system. The question may arise: How do you demonstrate meaningful use? This will also be clarified at a later date by the government, but according to the act, possibilities include attestation from a witness statement, submission of claims with appropriate coding, a survey response, or a report.

Certified EMRs. Finally, for an EMR to be considered certified, it must include patient demographic and clinical health information, such as medical history and problem lists. It must also have the capacity to provide clinical decision support that includes physician order entry (to capture and query information relevant to health care quality). Also, tying in with the second "meaningful use" requirement, it must exchange electronic health information with, and integrate such information from, other sources.

If you meet these three requirements, you will receive incentive payments according to the following schedule. As you can see, the greatest benefits are available to medical professionals who currently meet the requirements or will do so by 2012; these professionals will receive a total of \$44,000 in incentive payments. Medical professionals who implement EMRs in 2013 will receive \$26,000 in incentives, and medical professionals who implement EMRs in 2014 will receive \$21,000 in incentives. After that, there are penalties for medical professionals who have not implemented EMRs: Their Medicare fee schedules will be reduced by 1% in 2015, 2% in 2016, and 3% in 2017 and beyond.

Note that the incentive payments are per medical professional, not per practice. Moreover, amounts will be increased by 10% for professionals in a health professional shortage area (HPSA).

YEAR FIRST FILE	MEDICARE INCENTIVES							TOTAL
	Incent. 2011	Incent. 2012	Incent. 2013	Incent. 2014	Incent. 2015	Incent. 2016	Incent. 2017	
2011	\$18,000	\$12,000	\$8,000	\$4,000	\$2,000	-	-	\$44,000
2012		\$18,000	\$12,000	\$8,000	\$4,000	\$2,000	-	\$44,000
2013			\$15,000	\$12,000	\$8,000	\$4,000	-	\$39,000
2014				\$12,000	\$8,000	\$4,000	-	\$24,000
2015					-1%			-1%MFS
2016					-1%	-2%		-3%MFS
2017					-1%	-2%	-3%	-6%MFS

Medicaid Incentives

To be eligible for Medicaid incentives, you must also meet three requirements: You must be an **eligible professional** who is a **meaningful user of certified EMR technology**. Let's look at each requirement separately.

Eligible professionals. To be eligible for Medicaid incentives, you must be a physician, dentist, certified nurse midwife, or physician assistant (PA) practicing in a federally qualified health center led by a PA. In addition, Medicaid services must comprise a certain volume of your practice. Non-hospital-based professionals must have at least 30% of their patient volume come from Medicaid patients (except for non-hospital-based pediatricians, who must have at least 20% of their patient volume come from Medicaid patients). Professionals who practice predominately in federally qualified health centers or rural health clinics must have least 30% of their patient volume come from Medicaid patients. Children's hospitals and acute-care hospitals must have at least 10% of their patient volume come from Medicaid patients.

Meaningful use. To be a meaningful user, an eligible professional must meet requirements that will be created by each state and approved by the Department of Health and Human Services at a later date. In addition, you must meet the same three meaningful use requirements as Medicare incentives.

1. You must use electronic prescribing functionality, meaning you must send prescriptions to pharmacies electronically.
2. You must have an EMR that provides for the electronic exchange of health information in a manner designed to improve the quality of health care, meaning your EMR must connect to other EMRs such as those at hospitals and other provider practices.
3. You must submit statistical information on quality of care to the government so it can determine if EMRs are improving the health care system. The question may arise: How do you demonstrate meaningful use? This will also be clarified at a later date by the government.

Certified EMRs. Finally, for an EMR to be considered certified, it must meet the same requirements as Medicare incentives. It must include patient demographic and clinical health information, such as medical history and problem lists. It must also have the capacity to provide clinical decision support that includes physician order entry (to capture and query information relevant to health care quality). Also, tying in with the second “meaningful use” requirement, it must exchange electronic health information with, and integrate such information from, other sources.

If you meet these three requirements, you will receive up to 85% of what the government deems are “net average allowable costs,” according to the schedule to the right. While it is unclear at this time what net average allowable costs are, it is widely believed that the maximum total payment over five years could be \$64,000. We cannot verify this information at this time, however and believe \$44,000 is the amount all practices should base their decisions on.

YEAR	MAXIMUM INCENTIVE
1	\$25,000
2	\$10,000
3	\$10,000
4	\$10,000
5	\$10,000

Is It Worth It?

Even before the ARRA incentives are considered, the return on investment (ROI) for an EMR can be considerable. As an example, consider the case of a two-person orthopedic practice with one physician’s assistant (PA) and 6.5 full-time employees that implemented an EMR to completely eliminate paper—and saw savings of \$7,000 per month.

This practice, which averaged 105 patient visits and 50 surgeries per week before the EMR was implemented, was seeking an EMR with excellent voice recognition, improved documentation of patient encounters matched to billing, a workstation in every exam room, the ability to dictate in an area outside the exam room, and a server in the office for quick access and control.

After implementing such a system, the practice saw 14% more patients per week with the same amount of full-time employees, more surgeries resulting from more patient encounters, increased billing due to better documentation, and reduced costs overall. The chart below provides details of these savings.

	COST	QUANTITY	TOTAL
Labor savings per encounter	\$7.40	500	\$3,669
Reduced transcription costs	\$1,000.00	2	\$2,000
Reduced chart costs	\$5.00	500	\$2,500
Better coding	\$25.00	30	\$630
Reduction in postage	\$0.41	380	\$155
Reduction in envelopes and labor	\$0.50	380	\$190
Reduction in prescription orders	\$1.00	250	\$250
Total savings			\$9,424
Monthly investment			\$2,700
Monthly savings			\$6,724.00

Other Programs

In addition to the incentives available for the implementation of EMRs, the ARRA contains a number of other programs designed to facilitate widespread adoption of EMRs. Those include the creation of health IT research centers, state grants, and educational assistance so medical professionals can learn how to integrate EMRs. We will keep you informed of specifics as they become available.

What Should You Do?

Act now. Planning for a transition to an EMR is important and with hundreds of thousands of practices moving to electronic records there could be a wait—particularly as 2011 approaches.

For more information about the ARRA, you can review the full text of the act at www.recovery.gov.

For More Information Contact:



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