

Electronic Health Records Advancing 21st Century Medicine

New Medicare Demonstration Project to Provide Incentives for Using EHRs to Improve Quality of Care

At the direction of HHS Secretary Mike Leavitt, the Centers for Medicare & Medicaid Services (CMS) is implementing a five-year demonstration project that will encourage small- to medium-sized primary care physician practices to use electronic health records (EHR) to improve the quality of patient care. The goal is to revolutionize the way health care information is managed, producing better health outcomes and greater patient satisfaction. This project is a major step toward the President's goal of most Americans having access to a secure, interoperable EHR by 2014.

Demonstration Project Design

The demonstration is designed to show that widespread adoption and use of interoperable EHRs will reduce medical errors and improve the quality of care for an estimated 3.6 million consumers. Over a five-year period, the project will provide financial incentives to as many as 1,200 physician practices that use certified EHRs to improve quality as measured by their performance on specific clinical quality measures. Additional bonus payments will be available, based on a standardized survey measuring the number of EHR functionalities a physician practice has incorporated. To further amplify the effect of this demonstration project, CMS is encouraging private and public payers to offer similar financial incentives consistent with applicable law.

All participating practices will be required to have implemented a Certification Commission for Healthcare Information Technology (CCHIT)-certified EHR by the end of the second year in order for the physician practice to remain eligible for the demonstration. Physician practices must be utilizing the EHR by that time to perform specific minimum core functionalities that can positively impact patient care processes. These include clinical documentation, recording the ordering and results of laboratory and diagnostic tests, and recording prescriptions. However, the core incentive payment will be based on performance on the quality measures, with an additional incentive payment based on the degree of EHR functionality used to manage care.

Selection Process and Participating Communities

During the application period, senior HHS officials visited dozens of communities across the country to discuss the demonstration project and encourage communities to apply. Following the May 13 application deadline, a panel comprised of HHS technical experts was convened to review the more than 30 applications received from prospective community partners. The sites selected show strong stakeholder collaborations that will help advance the project's objectives and also the ability to leverage private and public sector efforts to drive the widespread use of EHRs and promote improved quality of care.

The demonstration will be implemented in two phases. CMS will begin working with the partners in Phase I communities over the coming months to develop site-specific recruitment strategies, and recruitment of physician practices will start in the fall. These activities will begin in 2009 for Phase II sites.

The four communities selected for Phase I implementation are Louisiana; Maryland/Washington, D.C.; Pittsburgh, PA (and surrounding counties); and South Dakota (and surrounding counties in Iowa, Minnesota, and North Dakota).

Eight communities have been selected for Phase II implementation, including Alabama; Delaware; Jacksonville, FL (and surrounding counties); Georgia; Maine; Oklahoma; Virginia; and Madison, WI (and surrounding counties).

Year-by-Year Incentive Payments

The basis for financial incentives that will be provided to physician practices will vary over the five-year period, including payments for both reporting and performance on quality measures.

Year One. Payments will be based on physicians' use of CCHIT-certified EHR functionalities to manage the care of patients, with a higher payment for more sophisticated health IT use, such as using EHRs to facilitate care management activities or to share a patient's records among providers of care. Payments will be determined by a practice's score on an Office Systems Survey (OSS). This annual survey will track the level of EHR implementation at the practice level and the specific EHR functions used by each participating practice to support the delivery of care. Higher scores on the OSS will result in increased incentive payments to participating practices. During the first year, participants may earn a maximum of \$5,000 per physician or \$25,000 per practice.

Year Two. After the second operational year, payments will be made to participating physician practices that are using CCHIT-certified EHRs and reporting clinical quality measures. Again, additional payments will be based on how the practice has used EHR functionalities to change and improve the way it operates. Practices that have not yet implemented a certified EHR or do not meet minimum functional use requirements by the end of the second year will be terminated from the demonstration. Payments in this year may reach a maximum of \$8,000 per physician or \$40,000 per practice.

Years Three to Five. During these years, payments will be based on actual performance on the clinical quality measures, rather than just reporting. An added payment will continue to be offered each year based on EHR functionalities used by the practice. Payments may total up to \$15,000 per physician or \$75,000 per practice during each of these three years. Total payments under the demonstration may be up to \$58,000 per physician or \$290,000 per practice over five years.

Background on Electronic Health Records

An electronic health record is a computerized patient medical file. It can contain a variety of medical information including prescription records, test results, treatment histories, progress reports and X-rays. Benefits for patients and physicians from broad adoption of interoperable electronic health records may include:

- Fewer adverse drug events, medical errors, and redundant tests and procedures because EHRs can ensure physicians have access to an accurate and complete health history;
- Faster diagnoses and treatment of serious illnesses with comprehensive information available at the touch of a screen;
- Timely provision of preventative care and services, such as health screenings, which can help reduce health care costs;
- Better communication between patients and physicians, giving patients enhanced access to timely information; and
- Shorter wait times for patients and lower operating costs for physicians through improved office efficiency.

To learn more about the EHR demonstration project, please visit:

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=3&sortOrder=descending&itemID=CMS1204776&intNumPerPage=10>