

HHS Fact Sheet

U.S. Department of Health and Human Services



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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, ordering and recording lab 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.

Application Process

Secretary Leavitt and other senior HHS officials are meeting directly with community leaders across America to discuss this new demonstration project and to encourage communities to apply.

The application period for communities interested in becoming one of the 12 demonstration sites is open now through mid May. The Secretary hopes to engage entire communities in assisting with education, outreach activities, and recruitment of physician practices to participate in the demonstration and to support the efforts of these physician practices. No funds will be available from CMS to assist organizations in their role as partners with CMS in this demonstration. CMS will focus on locations where the demonstration may enhance existing or planned private sector projects related to health information technology and quality reporting initiatives.

Eligible communities will include those that:

- Demonstrate active community collaboration with a broad group of stakeholders, including providers and medical professional groups, consumers, health plans, and employers;
- Show private-sector support, with likely probability that similar programs will be implemented among employers or health plans in the region;
- Are geographically large enough to recruit a sufficient number of small- to medium-sized primary-care physician practices, of which 100 will be eligible for incentives and 100 will be control sites; and
- Are not already part of an existing CMS demonstration similar to the EHR project.

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CMS will announce the 12 communities selected for the demonstration project in June 2008. Once communities have been selected, CMS will begin working with the communities to recruit physician practices for participation in the demonstration. After selection in June, four of the communities will begin implementing the demonstration, with the remainder beginning in 2009.

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 also 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. This could translate to approximately \$3.5 million over five years, on average, for participating physicians in each of the 12 communities selected as a demonstration site.

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.

Organizations applying to partner with CMS in each community must complete the "Medicare Waiver Demonstration Application" and use that form to document how well it meets each of these criteria. To learn more about the new EHR demonstration project or locate the application form, please visit:
http://www.cms.hhs.gov/DemoProjectsEvalRpts/downloads/2008_Electronic_Health_Records_Demonstration.pdf