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# STIMULATING HEALTH INFORMATION TECHNOLOGY NATIONWIDE


## A New Scale of Economic Stimulus for Health Information Technology

The U.S. economic stimulus package passed in February 2009 provides $2 billion in discretionary funds and $17 billion for investments and incentives through Medicare and Medicaid to ensure widespread adoption and use of interoperable health information technology.

The $2 billion in discretionary funds will be directed by the Office of the National Coordinator for Health Information Technology. The legislation calls for the National Coordinator, at the direction of the Secretary of Health and Human Services and in collaboration with other HHS agencies, to put a number of broad and diverse programs and provisions in place to promote health information technology nationwide.

## How Far Will $2 Billion Go?

### Many Programs Demand Funding

The stimulus package, also known as the American Recovery and Reinvestment Act of 2009, provides unprecedented federal funding for health information technology. In previous years, agencies in the United States Department of Health and Human Services (HHS) typically had $50 – 100 million per year to spend on studying and promoting electronic health records (EHR), e-prescribing and health information networking. In contrast, the stimulus bill provides $2 billion in such funding through 2013, with separate and sizable health information technology (HIT) incentives to be paid through Medicare and Medicaid. The Congressional Budget Office's initial analysis projects the funds will be expended over four years (2009 – 2012), with 80 percent spent by the end of Federal Fiscal Year 2010 (September 30, 2010) — a spending rate of $84 million per month.

In addition to the scale of the discretionary funding, the stimulus bill provides considerable detail and guidance on how the funds should be used. Despite representing one-quarter of 1 percent of the total stimulus package, over 40 pages of the 400 page bill are dedicated to detailing its HIT and related electronic privacy and security provisions, with another 30 pages covering Centers for Medicare & Medicaid Services (CMS) incentives.

The HIT programs and provisions described in the bill that are required to be funded by the $2 billion in discretionary funds are:

- Establishing the Office of the National Coordinator (ONC) as a formally legislated and budgeted entity to coordinate HIT policy and programs (ONC had been previously funded year to year by executive order)
- Establishing HIT Policy and Standards Committees in federal advisory roles
- Updating and maintaining the Federal HIT Strategic Plan
- Investment in "regional and sub-national efforts towards health information exchange" (HIE) and in investigating HHS provisioning of EHR technology as an alternative to commercial products
- Coordinating HIT certification and testing
- Establishing processes for adopting recommendations on new standards, certification criteria and implementation approaches
- Developing the workforce needed for HIT implementation by training an estimated 120,000 new HIT professionals through certificate, undergraduate and graduate programs at institutions of higher education
- Establishing a Health Information Technology Extension Program, with an HHS HIT Research Center and affiliated HIT Regional Extension Centers to provide technical assistance with HIT/HIE efforts to the industry

## Important Details, Limitations and Matching Requirements

### *Office of the National Coordinator*

- Currently funded at $61 million, with ~25 FTEs
- Operating plan due May 2009

### *HIT Policy and Standards Committees*

- Designated as Federal Advisory Committees (FACAs) in the legislation
- May replace the roles of the existing National eHealth Collaborative (NeHC), HITSP and CCHIT or may contract with them
- NeHC, HITSP and CCHIT can only assume the role(s) by converting to FACAs
- Initial Standards Committee policy recommendations due May 2009

### *Health Information Exchange and Federal EHR Development*

- Qualify for immediate funding
- $300 million appropriated for HIE

### *HIT Workforce Development*

- Priority given to existing programs and six month curricula
- No matching requirements

### *HIT Regional Extension Centers*

- Affiliated with non-profit
- 50 percent matching requirement
- Four-year funding limit
- Details due by May 2009 (including available funding and application process)

- Providing grants to States and State-designated not-for-profit entities for planning and implementing programs to promote HIT adoption at the State level
- Establishing multidisciplinary Centers for Health Care Information Enterprise Integration at institutions of higher education for research and development related to HIT/HIE
- Creating the position of Chief Privacy Officer for electronic health information and advising on new privacy and security provisions in the bill designed to strengthen similar provisions in HIPAA
- Developing and maintaining a website and a number of prescribed reports on HIT, including reports on requirements for additional HIT resources and funding

In addition, the bill introduces a number of optional programs for which portions of the discretionary funds may be used:

- Providing grants competitively to States and Indian tribes to provide loans and loan guarantees for providers to acquire EHR systems, upgrade systems, train personnel or participate in HIE efforts
- Providing grants competitively to medical schools and related institutions to create Demonstration Programs for Integrating Information Technology into Clinical Education to better train students in the medical professions on the use of HIT

The new Secretary and the National Coordinator have their work cut out for them in accelerating existing efforts and getting new initiatives off the ground quickly to achieve the desired stimulative effects of the legislation. The balance of this white paper explores the ins and outs of making this happen, explains our point of view on how HHS can best use their discretionary funds and provides some ideas on how we can assist Federal, State and private sector clients in accelerating the adoption of interoperable electronic health records to improve health care quality nationwide.

## Where Should HHS and ONC Start?

ONC is required to provide an operating plan by mid-May 2009, within 90 days of the stimulus bill's enactment. The obvious place to start implementing so many ambitious programs is with what's been started already. This includes continuing to support regional HIE activities, building on four-plus years of prior work on what ONC has called the Nationwide Health Information Network (NHIN). It also includes working on the transition of predecessor public-private policy, standards and certification committees (namely the National eHealth Collaborative, the Health Information Technology and Standards Panel (HITSP) and the Certification Commission for Healthcare Information Technology (CCHIT) to the new HIT Policy and Standards Committees: the two Federal Advisory Committees specified in the legislation.

The bill only contains two specific appropriations of the $2 billion in discretionary HIT funding — $20 million for The National Institute of Standards and Technology (NIST) activities and $300 million (15%) for continuing to support regional health information exchange. In addition, the only other reference to health information exchange activities is under the immediate funding section. This strongly suggests that considerable funding will take place in this area in the short term, which seems sensible since the industry is already engaged in these activities and many regional efforts are presently under-funded. Federal investment here is likely to continue as it has in the past, with multiple awards coordinated by ONC across many projects and geographies, but at a much larger scale.

## Important Details, Limitations and Matching Requirements (Continued)

*State Grants to Promote HIT*

- State-designated entities must be not-for-profit with broad stakeholder representation
- State matching requirements by Federal Fiscal Year (FFY)
  - 2009 – 10 — HHS can impose matching requirements
  - 2011 — 9 percent (1:10 — state to Federal)
  - 2012 — 12.5 percent (1:7)
  - 2013 — 25 percent (1:3)

*Centers for Health Care Information Enterprise Integration*

- Established through NIST

*Grants to States and Indian Tribes to Develop EHR Loan Programs*

- Require strategic plans for use of funds
- 16.67 percent minimum matching requirement (1:5), with preference given to higher state matching
- No awards before January 1, 2010

*Demonstration Programs to Integrate IT into Clinical Education*

- 50 percent matching requirement
- Cannot be used to purchase hardware, software or services

In establishing the two new committees, ONC could easily contract with the existing predecessors in the short-term and with additional contractors to assist in the transition. It is likely that ONC will attempt to undertake most other provisions of the stimulus as well, immediately and in parallel, if only to assess how they should be funded operationally and to enlist the support of other agencies and private interests in carrying them out.

HIT workforce development is also critically important early on, both to stimulate new job growth and to provide the workforce for accelerated EHR and HIE implementations. ONC can contract for academic expertise in structuring the program required by the stimulus bill and to begin quickly making sizable awards to colleges and universities nationwide to establish educational programs for training new healthcare IT professionals.

Given the stimulative objectives and expectations of the legislation, and the timing requirements and restrictions in the bill, ONC and other federal HHS agencies can be making significant grant and contract awards in several areas by September 30 (the end of FFY2009), including:

- Regional and sub-national HIE efforts
- HIT Research Center
- HIT Regional Extension Centers
- Academic institutions for HIT workforce development
- State grants to promote HIT

The Congressional Budget Office (CBO) estimates that ONC outlays will increase from current funding levels of approximately $66 million to $300 million by the end of FFY2009. Considering how small ONC's current staff and program scope is today, it is almost inconceivable that the Office could reach such levels without making programmatic spends upwards of $175 million in the above-named programs. Doing so will also have the benefit of spreading the bureaucratic and oversight load to regional, state and local entities, accelerating the funding's stimulative effect and building stakeholder support for the effort.

### Is the Funding Adequate?

It should be recognized, as in the case of the AHRQ National Resource Center for Health IT, that the $2 billion stimulus funding does not represent the sum total of what HHS has at its disposal to promote accelerated use of interoperable electronic health records. Nor does all the spending of the discretionary funds need to flow through ONC. The stimulus bill, in fact, specifically references that the Secretary of HHS "shall invest funds through … different agencies … such as" ONC, AHRQ, the Health Resources and Services Administration (HRSA), the Centers for Medicare & Medicaid Services (CMS), the Centers for Disease Control and Prevention (CDC) and the Indian Health Service (IHS). All the same, considering only the $2 billion appropriated in the stimulus package, and only the programs and provisions identified in it, the funding seems adequate in some areas, but clearly inadequate in others.

As a way of visualization, the following is an exercise in imagining how the $2 billion in discretionary funds might be allocated over the four years and at the Federal Fiscal Year (FFY) levels estimated by the CBO. To be clear, the CBO estimate of the bill's costs is only at the top-line FFY level, not at the level of expense categories or individual programs, and the allocations in the example do not represent earmarks in the bill, The following exercise is merely an attempt at reflecting the bill's program limitations as to implementation timetables and matching requirements tied to the CBO estimated funding level and four year spread. The projection reflects what we perceive to be the overall HIT initiative's

priorities (continuing existing activities, spending early on workforce development, and enlisting states and regional entities in spreading the stimulus) using the context of the CBO outlay estimate and timeframe (ignoring that the legislation allows the funding to be spent over an additional year, through 2013). One other note: as in the CBO estimate, the following estimate does not include the $20 million appropriation to NIST from the $2 billion, and it assumes that the Enterprise Integration Research Centers that the bill requires to be established by NIST will be funded from that appropriation or from other NIST funding sources.

At $300 million over an anticipated three years, funding for regional and sub-national HIE represents a fourfold increase over the approximately $70 million ONC and CMS have released for NHIN projects over the last three years. Augmented by funding for HIT Regional Extension Centers and state grants to promote HIT, each state could receive $10 – 20 million for health information exchange and EHR adoption over the next 18 – 24 months, independent of funds for training and workforce development. In those areas, funding seems adequate to seed sizable academic programs at 40 – 50 institutions of higher learning aimed at medical professionals and at developing a new HIT workforce.

States, educational institutions and groups wishing to serve as Regional Extension Centers will need to secure matching funds to win stimulus funding. This may prove challenging in today's tough revenue and credit markets, so it is difficult to imagine that the authorities, institutions and entities involved could absorb and put to use more federal funds even if they were made available.

| **CBO Funding Estimate by Year (in millions)** | **FFY2009 ($300)** | **FFY2010 ($1,280)** | **FFY2011 ($360)** | **FFY2012 ($40)** | **Total Outlay ($1,980)** |
|---|---|---|---|---|---|
| **Staff and Administrative Expenses** | **$27.5** | **$35** | **$31** | **$30** | **$125.5** |
| **Policy Coordination — Contract Services** | **$51.5** | **$58.5** | **$33.5** | **$5** | **$148.5** |
| • HIT Policy Committee | | | | | |
| • HIT Standard Committee | | | | | |
| • Standards and certification adoption/promotion | | | | | |
| • Quality measurement adoption/promotion | | | | | |
| **Program Management — Contract Services** | **$46** | **$56.5** | **$28.5** | **$5** | **$133** |
| • Regional and Sub-National HIE | | | | | |
| • HIT Research Center | | | | | |
| • HIT Regional Extension Centers | | | | | |
| • Enterprise Integration Research Centers | | | | | |
| • Federal HIT Development | | | | | |
| • Demonstration Program — HIT in Clinical Education | | | | | |
| • HIT Professional Workforce Development | | | | | |
| • State Grants to Promote HIT | | | | | |
| • State and Indian Grants — EHR Loan Funds | | | | | |
| **Grant Contracts and Awards — Direct Funding** | **$175** | **$1,130** | **$270** | **—** | **$1,575** |
| • Regional and Sub-National HIE | $20 | $230 | $50 | — | $300 |
| • HIT Regional Extension Centers | $35 | $190 | | — | $260 |
| • Enterprise Integration Research Centers | — | — | — | — | |
| • Demonstration Program — HIT in Clinical Education | $20 | $20 | $20 | — | $60 |
| • HIT Professional Workforce Development | $60 | $150 | $35 | — | $245 |
| • State Grants to Promote HIT | $40 | $265 | $30 | — | $335 |
| • State and Indian Grants — EHR Loan Funds | — | $275 | $100 | — | $375 |

At the same time, it is difficult to believe that federal agencies, including ONC, can scale up quickly enough to administer the funds available in the stimulus, much less additional funds. Nor would such a rapid growth in the federal bureaucracy necessarily be desirable, since the point of the stimulus is primarily to promote economic and job growth in the private sector.

Where the funding seems inadequate is in two areas. First, grants to establish EHR Loan Funds through the States and Indian tribes cannot begin to provide enough capital for the required investment in interoperable EHRs. Studies have estimated that $100 – 160 billion in initial capital is required to implement EHRs nationwide, not including operating costs.

The second area where funding may be inadequate is in sustaining EHR operations and HIE. A massive federal investment over then next three to five years will create not only an administrative bureaucracy, but also ongoing operational costs for many of the entities and programs providing support. Cost savings from interoperable EHR are not expected to fully recover capital and operating costs over the same period, and adoption incentives from CMS and private payers will only partly help finance the investment over a longer period.

Wisely, one of the provisions of the stimulus bill requires ONC to "estimate and publish resources required annually to reach the goal of utilization of an electronic health record for each person in the United States by 2014", with the first such report due in February 2010.

## Recommendations

We recommend that every organization develop a process for tracking ONCIT plans and funding opportunities. The next key deliverable will be the ONCIT operating plan that is due in mid-May 2009.

Grants and loan programs for HIT will be planned and administered by the states. By becoming involved in state level efforts, organizations can help ensure that these monies are secured and used effectively.

Training of both IT and clinical professionals will be required to achieve the vision of universal, effective EHR use. Experienced people will be in short supply. Some organizations may want to partner with educational institutions to apply for grant money to provide training programs.

## About the Author

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