Center for American Progress

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A Historic Opportunity

Wedding Health Information Technology to Care Delivery Innovation and Provider Payment Reform

Todd Park and Peter Basch May 2009

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"The goals [of national health IT investment] are quality and efficiency, instead of just putting machinery in offices. If we encourage better performance, then physicians are going to find ways to improve performance. And health information technology is one crucial way to do that."

– *Dr. David Blumenthal, newly appointed National Coordinator for Health Information Technology at the Department of Health and Human Services, quoted in* The New York Times, *March 25, 2009*

"Realizing the full potential of health IT depends in no small measure on changing the health care system's overall payment incentives so that providers benefit from improving the quality and efficiency of the services they provide. Only then will they be motivated to take full advantage of the power of electronic health records."

– *Dr. David Blumenthal, "Stimulating the Adoption of Health Information Technology,"* New England Journal of Medicine, *April 9, 2009*

Introduction and summary

The $19 billion health information technology investment authorized under the American Recovery and Reinvestment Act's HITECH program presents a landmark opportunity to catalyze improvement of our nation's health care system. This key piece of President Obama's policy agenda encourages doctors and hospitals to embrace health IT solutions in order to strengthen and modernize the infrastructure upon which our health care system runs.

This critical health IT investment program will fail, however, if it is treated as a pure technology implementation program. Indeed, failure is effectively guaranteed if the HITECH program embraces technology adoption for the sake of adoption. But if this new health IT investment program is wedded to a strong commitment to provider payment reform in forthcoming health care reform legislation and implemented specifically as an accelerator of health care delivery innovation and payment reform, then the investment program can help transform U.S. health care as we know it.

Here's why. Health IT is capable of powering significant improvements in:

- Preventive care
- Chronic disease management
- Care coordination
- Non-visit-based care, or "e-care"
- Knowledge-based medication management

Health IT-enabled care models in each of these arenas have very practical, doable, near-term applications, can generate significant benefits in terms of the quality and value of health care delivery, and are already being executed successfully today by some leading health care providers.

A major barrier to widespread implementation of these models, however, is our provider payment system. As has been well documented, the current U.S. health care payment system pays predominantly for the volume of services rendered, such as office visits and procedures, and not for the quality of health care outcomes. And it's a payment system that effectively punishes providers for achieving efficiencies such as the elimination of avoidable hospital readmissions and unnecessary in-person office visits. If the average medical practice today were to reduce its volume of *reimbursed* office visits in order to

spend more time on *unreimbursed* care coordination, chronic care management, non-visit-based care, and medication management in order to improve patient health, care quality, and care efficiency, then the sad truth is that the practice would not survive.

As a result of this absence of a sound business case for improving health care quality and value, most doctors and hospitals generally haven't pressured the companies that provide health IT solutions for products that support significant improvements in care quality and value. Today's electronic health records, or EHRs, are reasonably proficient at helping health care providers pick codes for billing purposes and document care for malpractice purposes. But current EHRs are much less well developed in their ability to facilitate higher-quality, higher-value health care through capabilities such as clinical decision support, patient "registries," and quality performance reporting. This bias is not driven by technical difficulties in designing and building such features. It's a result of the absence of a business case in the U.S. health care system for such improvements.

Commit to meaningful payment reform in health reform legislation

The fundamental solution to this dilemma is to change market incentives for health care providers (and, by extension, health IT vendors) to reward the delivery of higher-quality, more efficient health care. It is vitally important, therefore, that health care reform legislation now being formulated by Congress commit to provider payment reform that encourages:

- Proactive improvements in individual and population health status
- Collaboration among health care providers necessary to accomplish these improvements
- Achievement of efficiencies in care, such as the elimination of duplicate services, avoidable hospital readmissions, and unnecessary in-person visits

Payment reform can also radically improve the usability of EHRs. The reason: The current system of so called evaluation-and-management, or E&M, coding of office visits—which drives extraordinary complexity into clinical documentation and EHR workflow—could be replaced by payment-and-documentation standards that are simpler and more focused on what is actually valuable for patient care.

The HITECH health IT investment program should be designed specifically to help spur improvements in health care quality and efficiency and to accelerate the realization of a reformed payment system that rewards these improvements. The result will be a "virtuous cycle" in which the adoption and use of truly effective health IT enables care delivery improvements that are rewarded by value-based provider payment systems, which in turn provide strong, sustainable financial incentives for the adoption and use of the right health IT. This optimal HITECH implementation plan has three major components.

A results-oriented standard for the "meaningful use" of health IT

At its core, HITECH rewards not the purchase of health IT but the "meaningful use" of health IT. The vast majority of the $19 billion in HITECH investments go to temporary bonuses paid by Medicare and Medicaid to health care providers who can demonstrate "meaningful use" of "certified EHRs." These payments range from $44,000 to $64,000 per physician and up to $11 million per hospital, paid out over five years. The initial standard for "meaningful use" should focus on uses of health IT that will actually help improve care and accelerate payment reform:

- Tracking key patient-level clinical information in order to give health care providers clear visibility into the health status of their patient populations
- Applying clinical decision support designed by health care providers to help improve adherence to evidence-based best practices
- Executing electronic health care transactions (prescriptions, receipt of drug formulary information, eligibility checking, lab results, basic patient summary data exchange) with key stakeholders
- Reporting a focused set of meaningful care outcomes and evidence-based process metrics (for example, the percentage of patients with hypertension whose blood pressure is under control), which will be required by virtually any conceivable new value-based payment regimes.

The standard for "meaningful use" should be made more stringent over time, as is anticipated in the HITECH Act. The natural extension of this approach to "meaningful use" would be to introduce actual performance against targeted outcomes and process metrics as a key part of the definition of "meaningful use" in years 3 to 5 of the HITECH incentive payments program.

Widespread achievement of "meaningful use" by health care providers

This process should be driven in significant part by a results-oriented implementation of HITECH's Regional Health Information Technology Extension Centers program. Many providers, particularly small practices and "safety net" health care providers who serve the underserved, lack the expertise and resources to purchase, install and use information technology to innovate care. HITECH provides for the creation of Regional Health IT Extension Centers, or RHITECs, that could be structured to meet this need for up to 200,000 physicians, if empowered appropriately.

RHITECs should be created as results-oriented entities focused single-mindedly on the achievement of "meaningful use" by client providers. They should offer the full set of services required to help health care providers achieve "meaningful use," including group purchasing of health IT solutions, implementation assistance, project management,

vendor relations, and quality improvement. RHITECs should tailor their work to fit the unique needs of each of their communities, and should be at substantive financial risk for achieving "meaningful use" targets in their populations of health care provider clients.

Tight coordination of the health IT program with provider payment reform

The advance of health IT and payment reform should be executed in close coordination, with each aiding the other. The quality metrics desired by Medicare to power payment reform should directly inform the definition of "meaningful use." In turn, the data collected via the spread of "meaningfully used" health IT should help power the development and refinement of reformed payment models.

A strong public commitment to and progress toward payment reform should help cement the business case for health IT adoption and "meaningful use." Congress can facilitate the coordination of Medicare payment reform and the HITECH program by formally recognizing the linkage between the two and asking for periodic reports on their integration and joint execution. The combination of the two programs is significantly more likely to help spur care delivery innovation and health improvement than either will separately.

The HITECH program offers our country a remarkable opportunity to utilize health IT to significantly accelerate the reform of our health care system. In the pages that follow, we will detail why health IT adoption, care delivery innovation, and payment reform must proceed hand in hand. We will discuss how health IT can concretely be harnessed to power significant improvements in preventive care, chronic disease management, care coordination, e-care, and knowledge-based medication management. And we will present the recommendations outlined in this introduction and summary in more depth.

We are confident that when you reach our concluding remarks you will agree that a golden opportunity now lies before Congress, the president and the American people to reform our health care system for the better and for the long term—through a "virtuous cycle" of health IT adoption, care delivery innovation, and payment reform.

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

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