Legislative Fiscal Bureau
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January 14, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health Services: Governor's Section 13.10 Request for the Use of Additional Federal Stimulus Funding for Planning Activities for the Development of a Medicaid Health Information Technology Plan -- Agenda Item IX

REQUEST

The Governor requests that the Joint Committee on Finance approve the allocation and expenditure of $1,369,517 in 2009-10, from moneys received under the federal American Recovery and Reinvestment Act of 2009 (ARRA), to fund planning activities to develop a state Medicaid health information technology (HIT) plan.

BACKGROUND

Under Title IV of ARRA, incentive payments will be available to certain eligible professionals (EPs) and hospitals who are "meaningful users" of electronic health records (EHRs). These incentive payments will be provided through the federal Medicare program and state medical assistance (MA) programs.

Medicare. Beginning in January, 2011, financial incentives will be available for EPs who are meaningful EHR users. Beginning in 2015, payment adjustments will be imposed on EPs who are not meaningful EHR users. For EPs, the incentive payment is equal to 75% of Medicare allowable charges for covered services furnished by the EP in a year, subject to a maximum payment in the first, second, third, fourth, and fifth years of $15,000, $12,000, $8,000, $4,000, and $2,000, respectively. In 2011 and 2012, the maximum payment is $18,000 in the first year. The incentive payments will terminate after 2016, and there will be no incentive payments for EPs who first become meaningful users in 2015 or thereafter. For EPs who are not meaningful EHR users,

the Medicare fee schedule will be reduced by 1% for 2015, by 2% for 2016, by 3% for 2017, and by between 3% and 5% in subsequent years.

Beginning October, 2010, hospitals and critical access hospitals will be eligible for Medicare payment incentives, and reduced payments will apply to eligible hospitals that are not meaningful EHR users. Eligible hospitals that are meaningful EHR users can receive up to four years of financial incentive payments, beginning in federal fiscal year 2010-11. These payments would terminate after federal fiscal year 2014-15. The incentive payment for each eligible hospital will be based on the product of an initial amount, a "Medicare Share" (a fraction based on the estimated Medicare fee-for-service and managed care inpatient bed days divided by estimated total inpatient bed-days, as modified by charges for charity care) and a "transition factor" (which phases down the value of the incentive payment by 25% per year).

Medicaid. ARRA provides 100% federally-funded incentive payments for states to provide to eligible MA providers to purchase, implement, and operate certified EHR technology. Eligible health care providers include physicians, dentists, certified nurse-midwives, nurse practitioners, and physician assistants who are practicing in federally qualified health centers or rural health clinics led by a physician assistant. Eligible professionals must meet minimum patient volume percentages, and must waive rights to duplicative Medicare EHR incentive payments. These eligible professionals may receive up to 85% of the net average allowable costs for certified EHR technology, including support and training, up to a maximum level. Incentive payments are available for up to a six-year period. Acute care hospitals with at least 10% Medicaid patient volume will be eligible for payments, and all children's hospitals. ARRA does not specify a date by which states must make the Medicaid incentives available, although CMS does not expect state to make incentive payments until 2011.

On December 28, 2009, CMS issued proposed rules that would specify initial criteria an EP and eligible hospital would need to meet in order to qualify for incentive payments, calculation of the incentive payment amounts, payment adjustments under Medicare that fail to meet the "meaningful use" criteria and other program participation requirements. In addition, the Office of the National Coordinator for Health Information Technology issued a related interim final rule that specifies the U.S. Department of Health and Human Services Secretary's adoption of an initial set of standards, implementation, specifications, and certification criteria for EHRs.

State Administration. ARRA establishes a 90% federal financial participation rate for state administrative expenses related to implementing the incentive payments, including the development of the state's HIT plan. The HIT plan will include a detailed plan for administering the Medicaid provider incentive payment program, procedures that will be used to oversee the program, including tracking meaningful use of EHRs, the goals and objectives the Department of Health Services (DHS) plans to achieve through 2014, and steps DHS will take to achieve these goals.

ANALYSIS

On December 31, 2009, CMS notified the DHS that it had approved the state's application for HIT planning activities. The total cost of these planning activities ($1,521,686) will be supported 90% from federal funds ($1,369,517) and 10% from base GPR funding currently budgeted to support general program operations of the Division of Health Care Access and Accountability ($152,169).

The components of the plan, as described in the planning advance planning document (PAPD) DHS submitted to CMS, are shown in the following table.

Planning Activities for Medicaid Health Information Technology

Activity	State Costs	Contractor Costs	Total Costs	State Share	Federal Share
Project Start-Up	$23,622	$87,145	$110,766	$11,077	$99,690
Conduct Current HIT Landscape Assessment	31,496	116,193	147,688	14,769	132,920
Develop Vision of the HIT Future-to-Be Environment	47,243	174,289	221,533	22,153	199,380
Perform a Gap Analysis	31,496	116,193	147,689	14,769	132,920
Define Specific Actions to Implement the Incentive Program	110,235	406,675	516,910	51,691	465,219
Prepare Medicaid HIT Roadmap	47,243	174,289	221,533	22,153	199,380
Prepare Implementation Advance Planning Document	23,622	87,145	110,766	11,077	99,690
State Travel Costs	21,800	0	21,800	2,180	19,620
Multi-State Collaboration Participant	8,000	0	8,000	800	7,200
Communications/Printing/Mailings	15,000	0	15,000	1,500	13,500
Total	$359,756	$1,161,930	$1,521,686	$152,169	$1,369,517

A brief description of each of these activities follows.

Project Start-Up. Project start-up activities include: (a) delivering, reviewing, and updating the HIT PAPD with CMS; (b) establishing project goals, objectives and guiding principles for the project; (c) gaining sponsor approval of project goals, objectives and guiding principles; (d) developing project work plan detailing tasks and timelines; (e) developing a project communication plan; (f) developing an issue management process; (g) developing a project status report template; (h) obtaining sponsor approval of project work plan, communication plan, issue management process and project status report template; (i) meeting with key stakeholders to begin the planning effort and communicate goals and objectives; and (j) establishing workgroups to develop the HIT plan and identifying MA staff to participate in the Wisconsin Relay of Electronic Data (WIRED) for Health planning domain committees.

Conduct Current HIT Landscape Assessment. DHS will assess HIT and state level health information exchange (SLHIE activities) that are currently underway. Staff will collect information that was recently gathered by the SLHIE planning and design project and assess its applicability to

the MA HIT plan. The SLHIE project assessed stakeholders to better understand health care provider capabilities, interests and their SLHIE needs. DHS staff developed an inventory of current state government assets that could be used to support the SLHIE and conducted surveys. DHS will focus on gathering data specific to MA providers, such as adoption rates for electronic health records (EHRs), provider understanding of federally defined "meaningful use" requirements, and providers' plans to apply for the MA incentive payment program.

Develop a Vision of the HIT Future-To-Be Environment. DHS will hold discussion groups with a diverse group of MA HIT stakeholders within and outside of state government to solicit input into the state's vision for what the HIT landscape will look like by 2014, including how the MA provider incentive program will operate in concert with the larger health system and statewide efforts. In addition, DHS will conduct research on state and national HIT and SLHIE initiatives and ways states have used their MA information systems and HIT technology to support the adoption of EHRs, the exchange of health information, continuity of care and personal health records to promote quality health outcomes.

Perform a Gap Analysis. DHS will perform a gap analysis that compares the current environment with the future environment for the purpose of identifying the specific areas in the current environment that do not meet the Department's future vision. This analysis would help DHS identify specific implementation activities that will need to occur.

Define Specific Actions to Implement the Incentive Program. DHS would conduct activities to define the specific actions that will be needed for DHS to successfully administer and conduct oversight of the EHR incentive payment program. DHS will conduct work group sessions to define the actions that will be needed to : (a) identify eligible professionals and hospitals; (b) track and monitor "meaningful use" of EHRs; (c) process payments; (d) prevent duplicate payments for MA and Medicare; and (e) conduct program oversight. This activity will also address how providers' use of EHRs will impact the state's MA rate reform initiative, since several items in the initiative have HIT components.

Prepare Medicaid HIT Roadmap. DHS will prepare a state Medicaid HIT Roadmap that will be based on the specific actions that will be needed to implement the incentive payment program, as well as information contained in the gap analysis. The roadmap will identify key milestones, and focus on the state's role and plan to oversee the incentive program, including identifying quantifiable benchmarks that will allow the state and CMS to measure the state's progress.

Prepare HIT Implementation Advance Planning Document. DHS will prepare an implementation advance planning document (IAPD) that will be the basis for the state's requesting 90% federal financial participation (FFP) to implement the state Medicaid HIT plan. It is anticipated that DHS will submit the IADP to CMS by July, 2010, and that the IADP will be finalized by August, 2010.

Travel, Multi-State Collaboration and Communications. Funding is budgeted to support costs of state staff travel to attend meetings with providers and non-governmental HIT/SLHIE entities while the plan is developed, communications with stakeholders and printing costs, and to support the state's participation in the National Association of State Medicaid Directors Multi-State Collaborative to obtain and share information that will be useful in developing the state's Medicaid HIT plan.

As previously indicated, CMS has approved the DHS plan, as described in this memorandum. DHS will submit quarterly updates to CMS on the state's progress in achieving the tasks outlined in its planning document.

ALTERNATIVES

1. Approve the Governor's request to increase expenditure authority for DHS by $1,558,800 FED (one-time ARRA funds) in 2009-10 to fund planning activities to develop a state Medicaid health information technology plan.

2. Deny the request.

Prepared by: Charles Morgan