The Hon. Pete Stark, Chairman, Committee on Ways and Means, Subcommittee on Health

Incentives in the Health-e Information Technology Act of 2008

The Need for Incentives

America has among the most advanced health care systems in the world in terms of diagnosis and treatment. However, the US lags far behind in terms of how medical records are shared. This situation hampers our ability to provide the best health care possible.

HIT adoption rates are low: Between 10–20 percent of physicians and 20–30 percent of hospitals have comprehensive HIT systems, but most are silos that do no operate outside their internal system.

A robust HIT system can cost $10,000 to $50,000 per doctor to install; annual ongoing costs are typically about one-quarter of installation costs.

Studies estimate that widespread adoption of HIT could reduce total health care spending by $80 billion annually.

Incentives Will Drive Utilization of Health IT

Depending on when they adopt, physicians who install and utilize an approved system will be eligible for incentive payments totaling about $40,000 over five years.

Hospitals that install and utilize an approved system will be eligible for payments of up to several million dollars.

Incentive payments are available only to those that use a system which meets standards for interoperability, security, and clinical utility, and demonstrate that they are using the system in a clinically meaningful way.

Incentive payments for both physicians and hospitals continue for several years, but are phased out over time. Eventually, Medicare payments are reduced for those who do not use a qualified system.

The incentive policy is designed to provide time for standards to be fully developed; give providers an opportunity to plan for adoption; and reward early adopters while providing ongoing transitional support.

The legislation also provides additional funds to help spur adoption through several grant programs. One grant program is aimed at providers who serve low-income areas, rural areas, and medically underserved areas, as well as non-profit facilities and providers, such as pediatricians, who receive little or no Medicare incentives.

Additional grant programs fund low-interest loans to help providers finance HIT systems, and regional health information exchanges to unite local providers.

Low-Cost Option Available to All Providers

The legislation initiates the development of an HIT system based on open source technology that meets all HHS-approved technological and clinical standards. This initiative is intended to spur innovation, increase choice and provide a low-cost, high quality option to providers.