



Executive Briefing: Impact of U.S. Stimulus Package on Healthcare

The new stimulus bill promotes the use of health information technology by requiring the government to develop standards by 2010 that allow for the nationwide electronic exchange and use of health information. The estimated net cost of this provision is \$17.2 billion; in addition, \$2 billion for affiliated grants and loans is available through discretionary funding either by the Secretary of HHS or the National Coordinator of the Office of Health Information Technology (ONCHIT).

Investing more than approximately \$17.2 billion through Medicare and Medicaid incentives to encourage doctors, hospitals, and other providers to use health IT to electronically exchange patients' health information, the bill also strengthens federal privacy and security law to protect identifiable health information and to require public notifications in the result of a breach. The Congressional Budget Office estimates the funding will enable approximately 90% of doctors and 70% of hospitals to adopt and "meaningfully use" certified electronic health records within the next decade. In turn, that would save the government more than \$12 billion (through reduced spending on Medicare, Medicaid, and other programs) and generate additional savings throughout the health sector through improvements in quality of care, care coordination, and reductions in medical errors and duplicative care.

The Legislation:

- Codifies the Office of the National Coordinator for Health Information Technology (ONCHIT) and establishes an open and transparent process led by the National Coordinator to develop standards by 2010 that allow for secure nationwide electronic exchange of health information
- Establishes an HIT Standards Committee to review and recommend standards and other policy recommendations to (ONCHIT)
- Provides \$2 billion in immediate discretionary funding for health information technology infrastructure, training, dissemination of best practices, telemedicine, inclusion of health information technology in clinical education, and state grants to promote health information technology

- Expands the definition of what constitutes a "healthcare provider"
- Improves and expands current federal privacy and security protections for health information, such as requiring that an individual be notified if there is an unauthorized disclosure or use of his/her health information and requiring a patient's permission to use his/her personal health information for marketing purposes

Summary of Medicare and Medicaid HIT Incentive provisions:

- Provides temporary bonus payments ranging from \$44,000 to \$64,000 to physicians and up to \$11 million (over a four-year period) for hospitals that "meaningfully use" electronic health records
- Supports Medicare and Medicaid incentive payments for critical access hospitals, federally qualified health centers, rural health clinics, children's hospitals, and others
- Phases-in Medicare payment penalties for those physicians and hospitals not using electronic health records starting in 2014

Revenue Cycle Interests

Temporary Federal Medical Assistance Percentage (FMAP) Increase [\$86.7 Billion]

- Increases FMAP funding for a 27-month period beginning Oct. 1, 2008 through Dec. 31, 2010, with an across-the-board increase to all states of 6.2% and a similar increase for territories
- Bonus structure (in addition to the across-the-board increase) provides an additional decrease in state financial obligations for Medicaid based on increases in the state's unemployment rate (states will also be required to maintain effort on eligibility)

Temporary Increase in Disproportionate Share Hospital (DSH) Payments [\$460 million]

- The bill increases states' FY2009 annual DSH allotments by 2.5%, and increases states' FY2010 by 2.5% above the new FY2009 DSH allotment
- After FY2010, states' annual DSH allotments would return to 100% of the annual DSH allotments as determined under current law

Extension of Moratoria on Medicaid Regulations [\$105 million]

- Extends moratoria on Medicaid regulations for targeted case management, provider taxes, and school-based administration and transportation services through June 30, 2009
- Adds a moratorium on the Medicaid regulation for hospital outpatient services through June 30, 2009
- Provision includes a "Sense of Congress" that the Secretary of HHS should not promulgate regulations concerning payments to public providers, graduate medical education providers, and rehabilitative services

Extension of Transitional Medical Assistance (TMA) [\$1.3 million]

- Extends TMA beyond the current expiration date of June 30, 2009 to Dec. 31, 2010

Extension of the Qualified Individual Program [\$550 million]

- Extends the Qualified Individual program, which assists certain low-income individuals with Medicare Part B premiums, through Dec. 31, 2010

Provisions from the Indian Health Care Improvement Act [\$134 million]

- Eliminates cost-sharing for American Indians and Alaska Natives in Medicaid, protects Indian Tribal property, and maintains access to Indian health facilities

Prompt Payment Requirements for Nursing Facilities and Hospitals [\$680 million]

- The bill temporarily applies Medicaid prompt-pay requirements to nursing facilities and hospitals

Other Healthcare Related Spending

- Defense Health Program: \$250 million
- Indian Health Service Health IT funds: \$85 million; Indian Health Facilities: \$410 million
- Health and Human Services Facilities Renovations: \$1.87 billion
- Centers and Disease Control Facilities and Laboratory Renovations: \$412 million
- National Institutes of Health Research: \$8.5 billion
- Agency for Healthcare Research and Quality: \$700 million + \$400 million for clinical effectiveness studies
- Military Constructions for Service Branches: \$42 million for Army, \$125 million Navy, \$138 million Air Force
- Veterans Administration Medical Facilities improvements: \$1.37 billion, \$145 million for IT improvements

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