

**Electronic Health Record Incentive Payments****FY2014 Request: \$30,187,500****Reference No: 51853****AP/AL:** Appropriation**Project Type:** Information Technology /  
Systems / Communication**Category:** Health/Human Services**Location:** Statewide**House District:** Statewide (HD 1-40)**Impact House District:** Statewide (HD 1-40)**Contact:** Jennifer Klein**Estimated Project Dates:** 07/01/2013 - 06/30/2018**Contact Phone:** (907)465-1870**Brief Summary and Statement of Need:**

This is the second phase under the Electronic Health Record Incentive Program which provides financial support to providers to adopt, implement, or upgrade certified electronic health record technology. Providers must meet the set of standards defined by the Centers for Medicare and Medicaid Services (CMS) Incentive Programs that governs the use of electronic health records and allows eligible providers and hospitals to earn incentive payments by meeting specific criteria.

| <b>Funding:</b> | FY2014       | FY2015       | FY2016       | FY2017 | FY2018 | FY2019 | Total         |
|-----------------|--------------|--------------|--------------|--------|--------|--------|---------------|
| Fed Rcpts       | \$30,187,500 | \$35,460,000 | \$35,460,000 |        |        |        | \$101,107,500 |
| <b>Total:</b>   | \$30,187,500 | \$35,460,000 | \$35,460,000 | \$0    | \$0    | \$0    | \$101,107,500 |

|   |   |                                       |   |  |
|---|---|---------------------------------------|---|--|
| <input type="checkbox"/> State Match Required | <input type="checkbox"/> One-Time Project | <input type="checkbox"/> Phased - new | <input type="checkbox"/> Phased - underway  | <input checked="" type="checkbox"/> On-Going |
| 0% = Minimum State Match % Required           |   | <input type="checkbox"/> Amendment    | <input type="checkbox"/> Mental Health Bill |  |

**Operating & Maintenance Costs:**

|                      | <u>Amount</u> | <u>Staff</u> |
|----------------------|---------------|--------------|
| Project Development: | 0             | 0            |
| Ongoing Operating:   | 0             | 0            |
| One-Time Startup:    | 0             | 0            |
| <b>Totals:</b>       | <b>0</b>      | <b>0</b>     |

**Prior Funding History / Additional Information:**

Sec1 Ch5 SLA2011 P84 L28 SB46 \$36,518,800

**Project Description/Justification:**

As part of the American Recovery and Reinvestment Act (ARRA), an Electronic Health Record (EHR) incentive program was established to provide financial support for providers to adopt, implement, or upgrade certified Electronic Health Record technology.

The State of Alaska has elected to participate in the Electronic Health Record Provider Incentive Payment Program. The original authorization for the incentive program was \$36,518,800 in American Recovery and Reinvestment Act funds, appropriated under Chapter 5, SLA 2011, page 84, line 28. The current authorization is only valid through FY2016, although the Centers for Medicare and Medicaid Services, Electronic Health Record Incentive Program sunsets in FY2021. An Revised Program Letter was approved in September 2012 for an additional \$9,540,285 to cover the remaining FY2013 incentive payments.

The State anticipates provider incentive payments may be disbursed to adopt, implement, and upgrade; and meaningful use for an additional five years culminating in FY2021. It is anticipated that payments for FY2014 – FY2016 will be a total of \$101,107,500. Estimated payments for FY2014 are

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\$30,187,500; FY2015 \$35,460,000; and for FY2016 \$35,460,000. Details regarding how estimated eligible professional and eligible hospital payments were determined are below:

### Federal Fiscal Year 2014 Quarter 1- Quarter 4

#### Eligible Providers (All quarters)

The Department of Health and Social Services' Health Information Technology Program Office estimated \$3,346,875 each quarter for Eligible Provider payments. This number was based on the number of Eligible Providers anticipated to be ready for meaningful use in FY2013, along with more Eligible Providers attesting that they plan to adopt, implement or upgrade. Additionally, any Eligible Provider meaningful use payments will be reduced to \$8,500 rather than the \$21,250. This is based on an adjusted assumption of a maximum of 2,500 Eligible Providers and an anticipated 600 Eligible Providers that might have the Medicaid patient encounter volumes. It is unknown if Eligible Providers incentive payments will increase during FY2014 – FY2016 due to improved technology or rule changes or if the incentive payments will decrease due to lack of participation by Eligible Providers. The Centers for Medicare and Medicaid Services, posted a Notice of Proposed Rulemaking (NPRM) for Stage 2 meaningful use, which would allow for Title XXI and zero-payment claim encounters to also be used in determining the patient encounters for the Electronic Health Record Incentive Program. This figure has been increased by 5% to account for additional providers who are anticipated to qualify under this new rule.

#### Eligible Hospitals (All quarters)

The Health Information Technology Program Office estimated \$4,200,000 each quarter for Eligible Hospital payments. This number was based on the number of Eligible Hospitals anticipated to be ready for meaningful use in FY2013, and any remaining Eligible Hospitals attesting that they plan to adopt, implement or upgrade and that they did not do so in either FY2012 Q3 or FY2012 Q4. Additionally, Eligible Hospital payments for year 2 will be reduced to 40% of the aggregate amount rather than the 50% as in year 1. This is based on the original assumption of a maximum of 21 Eligible Hospitals that might be eligible for the program and have the Medicaid patient encounter volumes. It is unknown how many of the Eligible Hospitals will participate in the incentive program after the initial Adopt, Implement and Upgrade Year 1 payment and move forward with the two additional years of meaningful use. The Centers for Medicare and Medicaid Services posted a Notice of Proposed Rulemaking for Stage 2 Meaningful Use which would allow for Title XXI and zero-payment claim encounters to be used in determining the patient encounters for the Electronic Health Record Incentive Program. This figure has been increased by 5% to account for additional providers who are anticipated to qualify under this new rule.

The Electronic Health Incentive Payments program was established to increase efficiency, reduce health care costs and improve the quality of health care for Alaskans. This program fits into the department's long term goals, mission and measures by promoting technology for sustainable and effective health care delivery.