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Brief Guide to Stimulus Act Funding for Health Information Technologies

Scott N. Wolfe, 5/8/09

A major focus of the American Recovery and Reinvestment Act (Stimulus Act) that President Obama signed in February is to improve the quality and expand the scope of health information technology in the United States. One of the central goals is to develop a nationwide health IT infrastructure and transfer all Americans' health records to electronic format by the year 2014.

Under the Stimulus Act, the Office of the National Coordinator for Health Information Technology (ONCHIT) received a \$2 billion appropriation to achieve these goals. The funds will remain available until expended; however, the law requires that certain portions of the funds must be allocated to specified groups. ONCHIT will be advised by two policy committees comprised of members from the various sectors of the health-care industry. ONCHIT is charged with a number of oversight activities, including the development of uniform health IT standards to allow interoperability among diverse health IT systems. "Making the electronic health records dream a

reality will depend upon the successful development of uniform HIT standards," said Andrew Gantt, a partner in the Health Care and Life Sciences Group at the Washington D.C. office of Latham & Watkins. "This is critical to ensuring that multiple electronic health records technologies are able to communicate effectively with each other."

One of the named recipients under the Stimulus Act is the National Institute of Standards and Technology (NIST). NIST will receive \$20 million of the budget allocation to continue advancing the use of health IT. The law also earmarks \$300 million to support sub-national and regional efforts in their advancement toward health information exchange.

The Stimulus Act also contains various financial incentives to specified groups who adopt and increase their use of electronic health records and health IT. Medicare providers, for example, are entitled to receive up to \$44,000 (\$48,400 for providers in a professional shortage area) of



funding if they adopt and engage in a "meaningful use" of certified electronic health records technology. The standards that providers must meet to satisfy the "meaningful use" requirement in order to receive incentive payments include, among other things, the ability to connect in a way that provides for the electronic exchange of health information and a willingness to report information on clinical quality measures to the Department of Health and Human Services.

The law also incentivizes Medicare providers by penalizing them if they do not become electronic health users by 2015 through a one to five

percent reduction in payment the providers would otherwise receive. Similar financial incentives, which can total \$63,750, are available for Medicaid providers who implement electronic health records technology. Providers eligible for both Medicare and Medicaid incentives may only receive incentives from one or the other.

Hospitals are also entitled to receive funding under the Stimulus Act if they can demonstrate that they are “meaningful users” of electronic health records technology. A formula determines the amount that hospitals can receive, with the amount starting at \$2 million. Grants will also be available to universities that develop centers designed to generate innovative approaches to the use of health IT.

State or state-designated entities are also eligible to receive grants if

they submit a plan describing activities to be carried out to facilitate the exchange of health IT. In addition, regional centers that assist in the promotion and advancement of health IT may receive grants for the continued development of technological approaches. To secure their grants, however, these groups must contribute matching funds up to a certain percentage of the federal funds they intend to receive.

Universities and clinical health education programs that expand educational programs focusing on medical information are eligible to receive grants, if they contribute matching funds of at least 50 percent of the cost of the program. In addition, the Stimulus Act authorizes the establishment of loan programs, administered by states and Indian tribes, to health care providers who facilitate the adoption of certified electronic health re-

ords technology. Like many other incentives, however, the entity receiving the grant must match the federal funds received with a percentage of the amount received.

Advancing and expanding the use of electronic health records across the United States is a top priority under the Stimulus Act. With financial incentives being provided to various groups to facilitate the shift to electronic records, and a renewed drive to develop uniform health IT standards, the goal of having all Americans’ health records in electronic format is more likely to be attained. ■

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