

Will Information Technology Transform the American Health Care System?

***IPRO Annual Conference
June 7th, 2011***

**Dr. William Winkenwerder
Chairman and CEO**



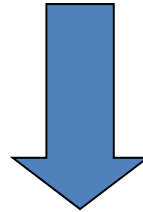
THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

Today's Agenda

- Convergence of Medicine and Health IT
- The Role of Government in Health IT
- HITECH Act – What does it say and do?
- Policy Process – How it is being managed? What are the priorities?
- Meaningful Use – The vision of HIT Enabled Care and the incentives to go there
- What about the private health IT sector? What about providers and patients?
- The Healthcare Reform Debate – Will it have an impact?
- Final thoughts



Convergence of Medicine and Health and Information Technology



Evolving Critical Uses

- Paying for covered services → insurance claims
- Accounting for services and costs → insurers, hospitals, clinics
- Collecting, storing, retrieving data → information to manage, mostly administrative

...and finally...



Evolving Critical Uses

- Creating information to guide and make decisions at all levels
 - Physician
 - Nurse
 - Pharmacist
 - Laboratorian
 - Clinic Manager
 - Hospital Manager
 - Researcher
 - Pharma/Device Maker
 - Supplier Distributor
 - Patient
 - Consumer
 - System Executive
 - Government Policymaker



The Federal Government and Health IT

- HHS
 - HCFA in 1980s implements DRGs, RBRVs and other data-centric models for services rendered and payments
 - HCFA in late 1980s pursues “outcomes measurement” with claims data
 - AHRQ established in 1990 to assess/reduce practice variation and improve quality



The Federal Government and Health IT

- VistA grows at the VA – 1990s – 2005
 - Veterans Health Information Systems and Technology Architecture (VistA), a mumps-based enterprise-wide health information system with an electronic medical record.
- DoD implements CHCS, then AHLTA – 1990s-2005
 - Comprehensive Health Record and Care System (CHCS) implemented in 1990s, allowing CPOE and other features
 - Worldwide Armed Forces Health Longitudinal Technology Application (AHLTA) implemented 2002-2006
 - Initial efforts with VA to establish federal health architecture for IT and interoperable data standards



The Federal Government and Health IT

- HHS begins to focus more on HIT
 - 2004 – HHS forms the Office of the National Coordinator for Health Information Technology (ONCHIT)
 - The Mission is widespread adoption of the interoperable Electronic Health Records (EHRs) in the US within 10 years.
 - 2005 – The Certification Commission for Healthcare Information Technology (CCHIT), and Health Information Technology Standards Panel (HITSP), both private nonprofit groups, funded in 2005 by HHS
 - Purpose: develop a set of standards for EHRs and supporting networks, and certify vendors who meet them.



The Federal Government and Health IT

- HHS
 - 2006-2008 – American Health Information Community (AHIC)
 - Public-private forum led by Mike Leavitt, HHS Secretary
 - Focus on standards development, privacy, certification via “use cases” and non-legally binding guidelines; privatization attempt rejected by Obama
 - 2009-Present – ONC and CMS
 - HITECH Act – February 2009
 - Policy Committee oversight, reduced role for private sector
 - Meaningful Use – To guide distribution of dollars
 - Three new federal rules
 - Federal grants for State HIEs, extension centers workforce development



HITECH Act of 2009

- A very large federal investment (\$30 Billion) to accelerate the adoption of EHRs and interoperable health information exchange.
- It will have a major impact on the direction of healthcare...but it is not clear what that impact will be.
- Complex undertaking with promise...but also many potential pitfalls.



HITECH Act of 2009

- Incentives for Adoption of Health IT
- Standards, Certification, Privacy, HIE/NHIN
- Grants to States, Regional Extension Centers, Innovators



Meaningful Use – Focus Areas

- Improve quality, safety, efficiency, and reduce health disparities
- Engage patients and families (Patient Portal)
- Improve care coordination (Health Information Exchange (HIE))
- Improve population and public health (Improved reporting of public health info – likely through HIE)
- Ensure adequate privacy and security protections for personal health information (extension of HIPAA requirements – applicable to all new HITECH technology & processes)



The Policy Process

How it is being managed? What are the priorities?



The Health IT Players

- Office of the National Coordinator for Health IT (ONC)
- Centers for Medicare and Medicaid Services (CMS)
- Health IT Policy Committee (HITPC)
- Health IT Standards Committee (HITSC)
- Certification Commission for Health IT (CCHIT)
- Congress – Committees of Jurisdiction
- Health Industry – Vendors, Hospitals, Physicians, Privacy Advocates

Tools are federal rules and money to incentivize actions



Rules

....actually rules, rules, and more rules

- CMS – Incentive Payments for Meaningful Use of Health Information Technology
 - July 13, 2010 – Final Rule (Published July 13, 2010)
- ONC – Standards, Specifications and Certification Criteria for Electronic Health Records Technology
 - July 13, 2010 – Final Rule (Published July 28, 2010)
- Temporary Certification Program
 - July 13, 2010 – Additional
- OCR – HIPAA Update to address privacy and security
 - July 8, 2010 – Proposed Rule



Meaningful Use

Stage I: Criteria set
Twenty-Six (26), with certain
group fixed plus menu options

Stage II: Criteria set – “Tougher” Stage I criteria,
plus new criteria
Draft Federal Regulation – Nov-Dec 2011
Final Rule – Mid 2012
Delay By One Year? Relax?



The Priorities for ONC

- Increase EHR adoption
- Spend the money
- Universal data standards widely adopted
- Secure health information exchange

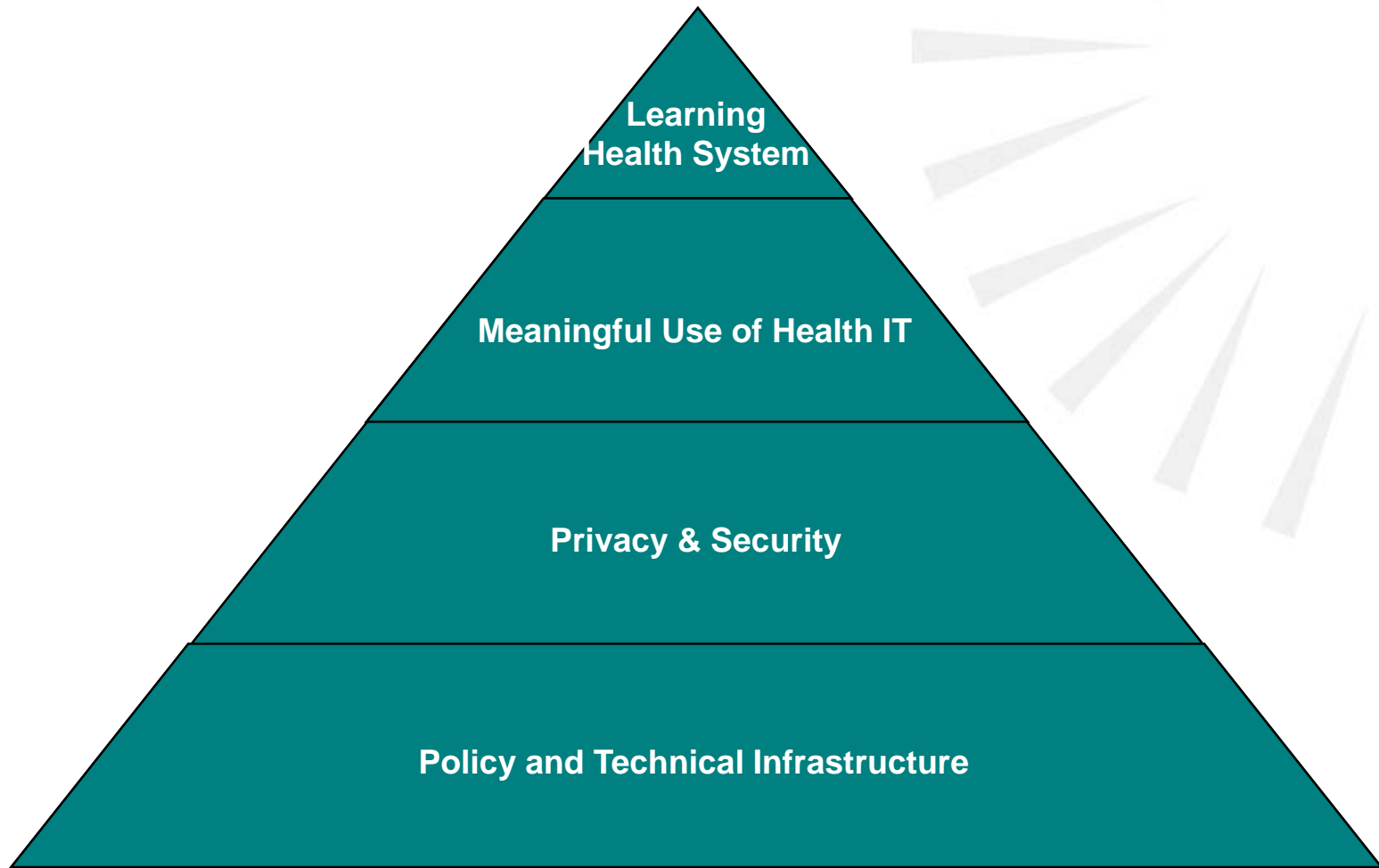
...and importantly, keep the health industry engaged and Congress happy (or at least not mad)



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

Vision of Health IT – Enabled Care

A Learning Health System



Health Information Technology Strategic Framework For A Learning Health System

AIMS: Patient-centered, Safe, Timely, Effective, Efficient, Equitable

❖ **INFORMED & EMPOWERED PATIENT**

RESULTS

❖ **ENHANCED VALUE**

❖ **IMPROVED CARE**

❖ **IMPROVED OUTCOMES**

❖ **SHARED KNOWLEDGE**

ACTIVITIES

Engage Consumers

Provide Care

Measure Quality

Improve and Innovate

Educate

Conduct Research

BENEFICIARIES

Consumers

Patients

Providers

Payers

Public Health
Professionals

Researchers

A Learning Health System for



Individuals



Population health

DATA

Meaningful Use of Health Information Technology

Privacy and Security

Policy and Technical Infrastructure



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

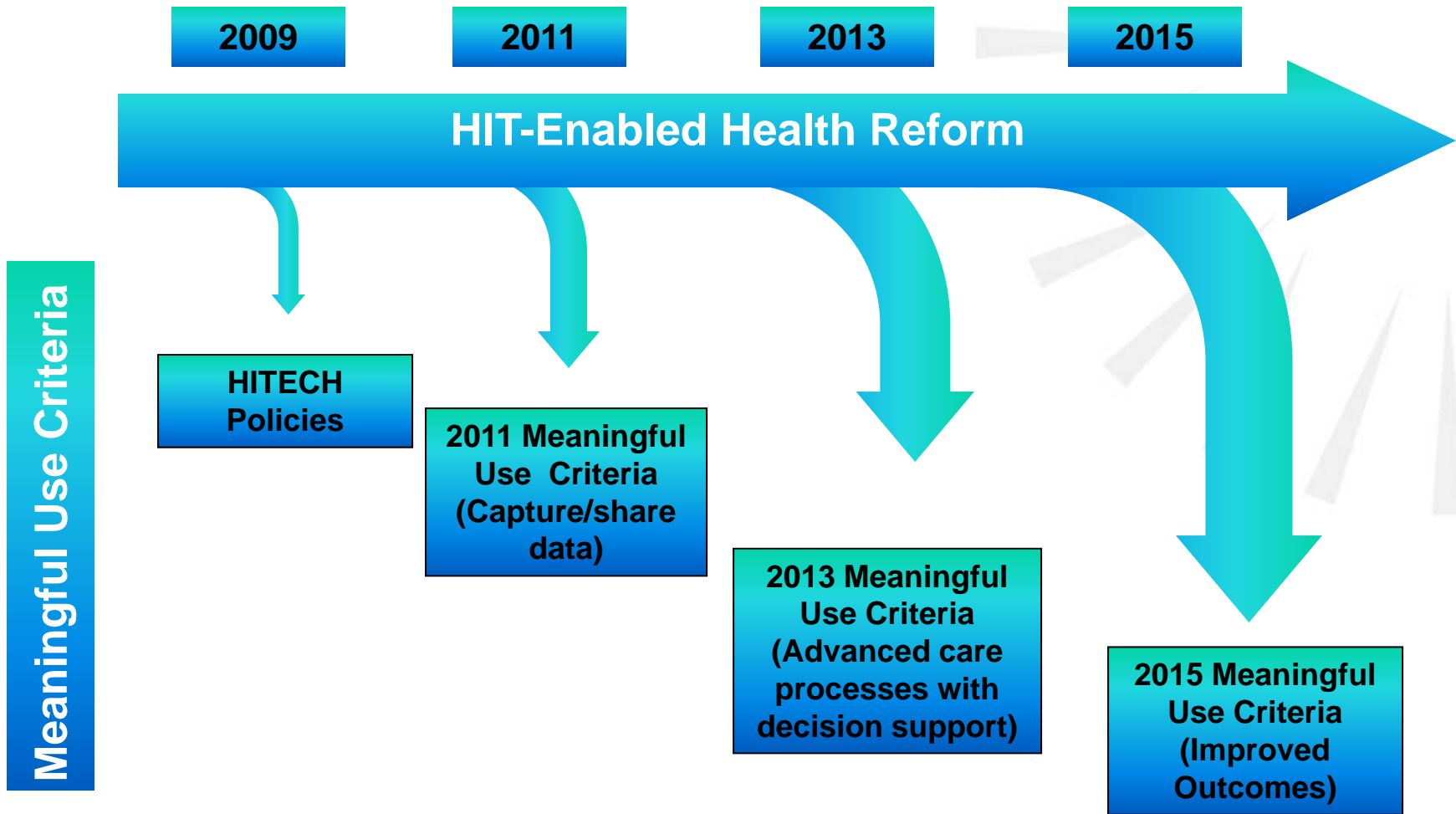
The Vision of Health IT-Enabled Care

There Could Be Many Benefits....

- Better clinical information retrieval, presentation
- Improved record storage capacity
- Analysis of practice variation
- Patient safety
- Population health
- Clinical analytics and decision support
- Better science of medicine
- Clinical trials – faster, cheaper
- Improved drug, device post-market review
- Personalized Care and Therapeutics



HIT-Enabled Health Reform Achieving Meaningful Use



Source: HHS Health IT Policy Committee



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

But at What Costs and Risks?

- Costs of implementation and maintenance
- Security issues
- Privacy issues
- Sheer complexity....provider overload...MU Stage I, II ICD 9 ->10, ACO Adoption, P4P, Obamacare
- Governance challenges....new framework needed?
- Any impact on health care costs?



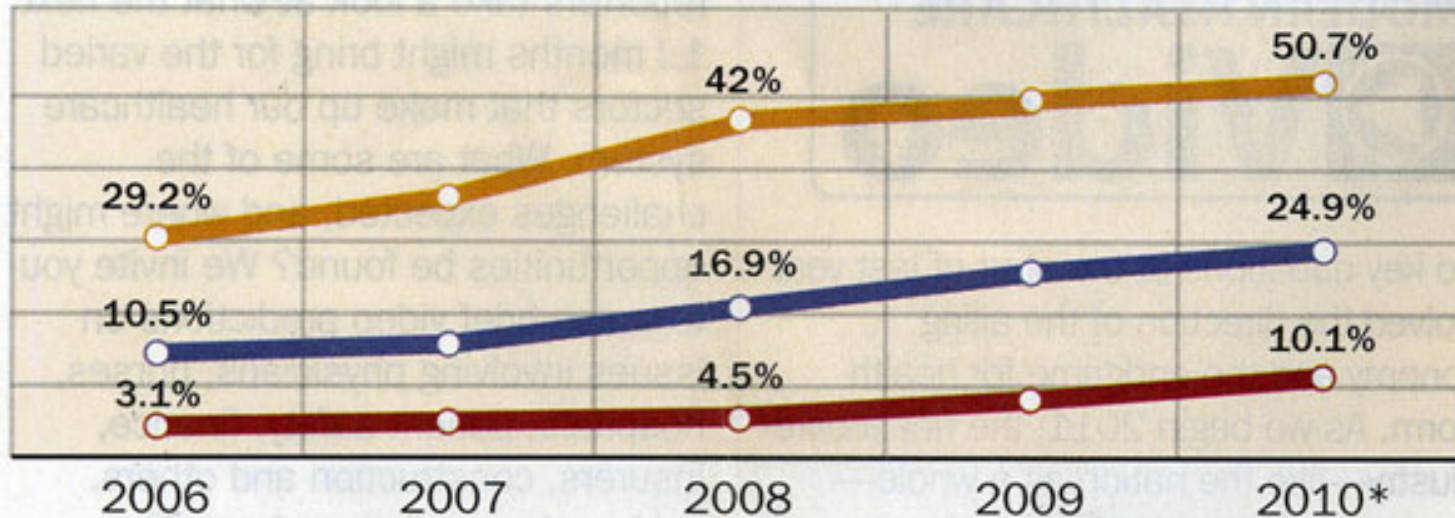
What About Providers & Patients and the Private Health IT Sector?



A STEADY CLIMB

Percentages of physicians using electronic health-record systems

Any EHR Basic EHR Fully functional EHR



*Percentages are preliminary

Source: National Center for Health Statistics

MODERN HEALTHCARE GRAPHIC



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

The Variation Problem

- % physicians using partial/complete EHR system ranged from 38-80% across states
- % physicians have system that met criteria of a basic system ranged from 12-51%
- % physicians with fully functional EHR system ranged from 10-27%



How is Adoption Among Hospitals and Physicians?

- AHA Survey – Jan 2011



- 81% of hospitals plan to achieve MU of EHRs and take advantage of incentives

- NCHS Survey – Dec 2010



- 41% of office based physicians planning to achieve MU of certified EHRs
- 4/5 of these (32%) will enroll in MU Stage I



Adoption Uncertainty

Price Waterhouse Coopers Survey

“Eight in ten hospital chief information officers said they are concerned or very concerned they will not be able to demonstrate ‘meaningful use’ of electronic health records within the federally established deadline of 2015.”



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

Cost and Capability Still Big Issues for Most Physicians and Small Hospitals

- Who will fill the gap?
 - Larger Integrated Delivery Networks
 - Private Sector, Publicly Traded Hospital Systems
 - Management Service Organizations
 - Example of Oncology physicians



The Result

More and more physicians employed



What Do Patients Want?

- Access to care – appointments, scheduling
- Communication with their physician
- Coordination of care
- Right care when really sick
- Ability to look things up



Still evolving...social networks, chat rooms, use of online personal records



The Private Health IT Sector

- Exploding opportunities...or at least perceived opportunities in health care!
- Intel, Oracle, Dell, Microsoft, Hewlett Packard, Siemens, General Electric, McKesson, Harris, Epic, Allscripts, Cerner, eClinical Works, Availity, Emdeon, etc.
- Lower cost, higher performance systems
- The Cloud!
- Health Insurers – United Healthcare – Ingenix
- Management Services Organizations (MSOs)



Opportunity Areas for IT Firms

- Revenue Cycle
- Identity Management
- Security Management
- Quality Measure Collection – Reporting
- Analytics and ACO Readiness
- Self Service – Appointment Scheduling, Patient Registration and Check-In, Lab/Test Results Reporting
- EHR – Low Cost, Compliant
- Integration of EHR with Revenue Cycle
- Cloud Services



The Patient Protection and Affordable Care Act (PPACA)

Will it have an impact on the health IT agenda?



Quick Description

An unprecedented massive, complex, multi-faceted effort to create near universal coverage and entitlement for health insurance for all Americans that directly and significantly affects Medicare, Medicaid, every federal health agency, all private insurers, all employer sponsored coverage plans, all employers, all fifty states, the U.S. tax code, the IRS, and every living American.



Key Provisions-Insurance Regulation and Coverage

Projected Goal = 32 million more with coverage

...but 20 million remain without coverage

- Private insurers – guaranteed issue and renewal, community rating, no lifetime limits, no annual limits, dependent coverage up to 26, quality reporting requirements to HHS, MLR requirements, eliminate copays for “preventive services”
- Employer and Employer Sponsored Plans – Mandated coverage of firms > 50 employees, no “discrimination” for health status
- Individuals – Mandated to purchase coverage, or pay fine, by 2016
- Insurance Subsidies and Tax Credits – 100-400% of poverty, premiums capped as share of income, sliding subsidy scheme, IRS reporting; credits to certain small businesses



Key Provisions Medicaid and States

- Medicaid – Mandates coverage up to 133% of poverty level in all 50 states, starting 2014
- Health Insurance Exchanges – with prescribed rules for marketplace comparison of coverage
- High Risk Pool Program – all states, with federal funds or state monies; interim program



Key Provisions

Medicare and Longterm Care

- Medicare Part D – Expanded coverage to eliminate “doughnut hole” cost sharing
- CLASS Act – New federal entitlement for longterm care



Key Provisions

Financing

- New and Increased Taxes - \$500B
 - Medicare Tax on Wages and Dividend Tax Increase-\$210B
 - Health Insurers-\$60B
 - Fee on Pharma Makers-\$27B
 - Fee on Device Makers-\$20B
 - Excess Tax on High Cost Coverage-\$32B
 - Premiums Collected on LT Care-\$70B
- Medicare - \$460B
 - Payments to Hospitals/Providers-\$280B ↓
 - Medicare Advantage Rates-\$132B ↓
 - Medicare Home Health-\$40B ↓



What Does It Really Cost?

- (CBO) Original Estimate - \$940B over first 10 years
 - \$923B from 2014-2019
 - Did not include fixing the SGR formula for physician payments
 - \$200+B
 - Discretionary spending necessary to implement – May 2010 CBO Report
 - \$115B
- (CBO) Late News Flash – March 23, 2011
 - Full Ten Year Cost: 2012-2021 now at \$1.45 Trillion!
- Independent Analysts - \$2.5 Trillion cost over ten full years of implementation



What Impact Does PPACA Have On The Deficit?

... first ten years

CBO Original Estimate

(March 2010)

\$143B Reduction

...but included effects of student loan program savings, 1099 tax collections, \$70B for premiums for CLASS act, \$55B for more social security collections; excluded the \$200B+ “doc-fix” cost for Medicare program

Doug Holtz-Eaken

(Former CBO Director)

\$562B Increase



Will the PPACA Reduce Cost Growth?

Best analysis to date: CMS Actuary Report, April 2010

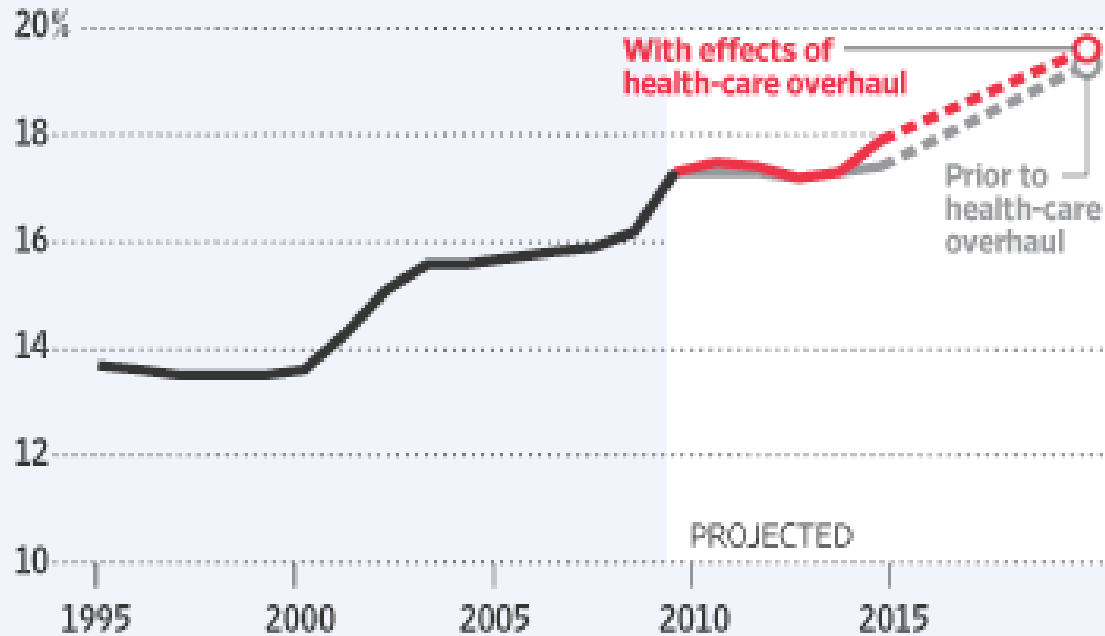
National Health Expenditures (NHE) will increase between 2011 - 2019 by \$311 billion above what they would have in the baseline projection. NHE will reach 21% of GDP by 2019, under current law.



Law's Effect

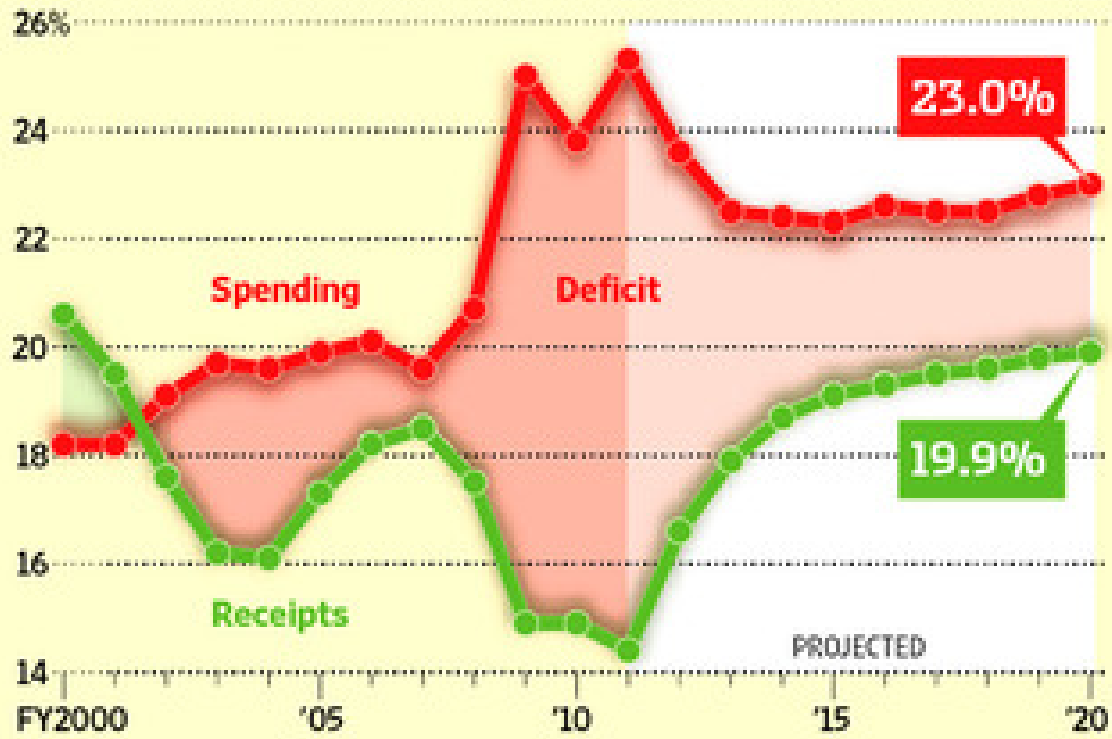
The rate of increase in total U.S. health spending will be little changed by the health-care overhaul, according to federal economists.

Health-care spending as a percentage of GDP



Off Balance

Federal receipts and spending as a percentage of GDP



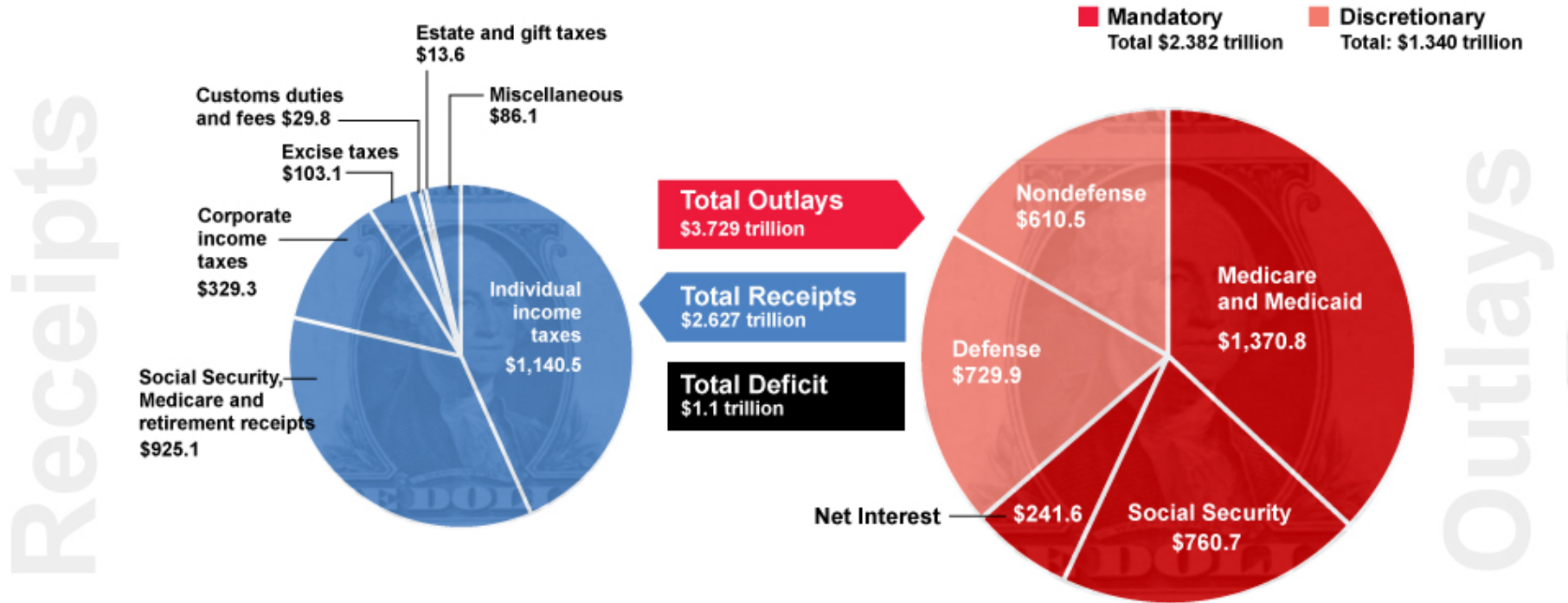
Note: Fiscal years end Sept. 30

Source: White House Office of Management and Budget



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

A look at how the Obama administration is counting on **bringing in revenue** and **spending it** in fiscal 2011.



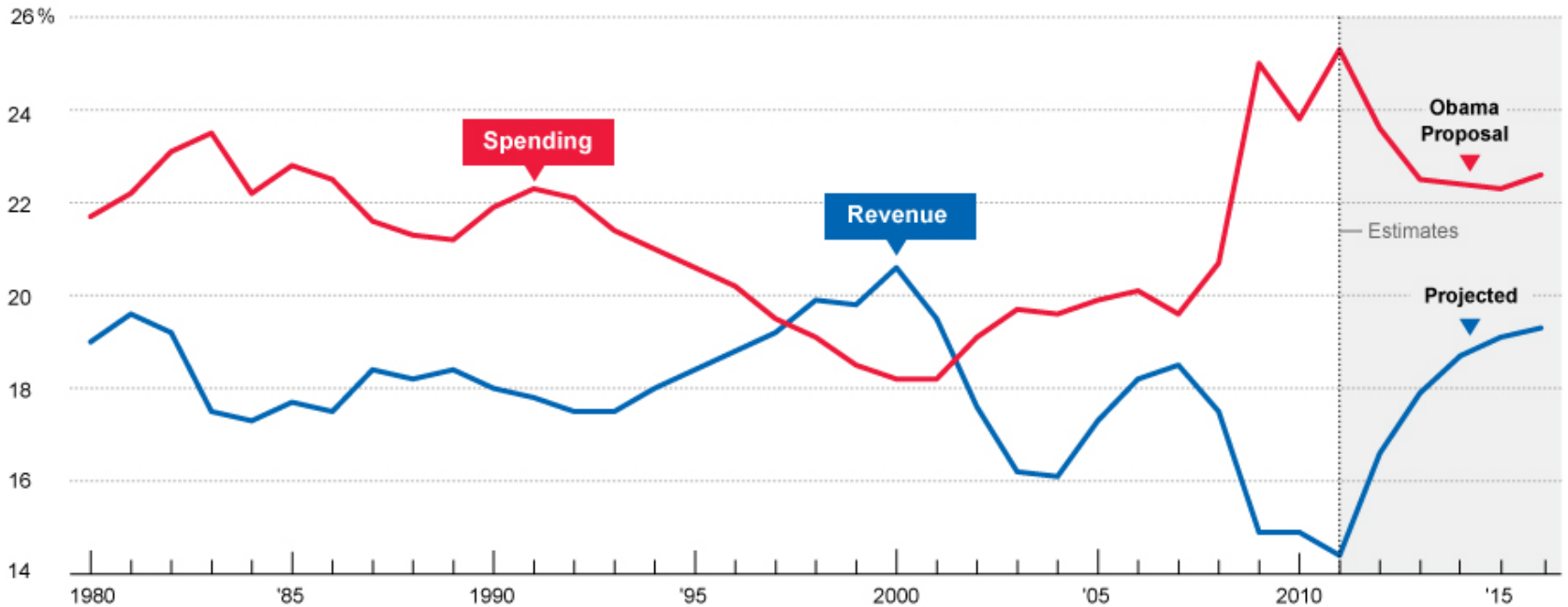
Source: Office of Management and Budget, Associated Press and Dow Jones Newswires (agency profiles)



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

Both **government spending and revenue as a percentage of GDP** are expected to moderate beginning in 2011.

Cash flow



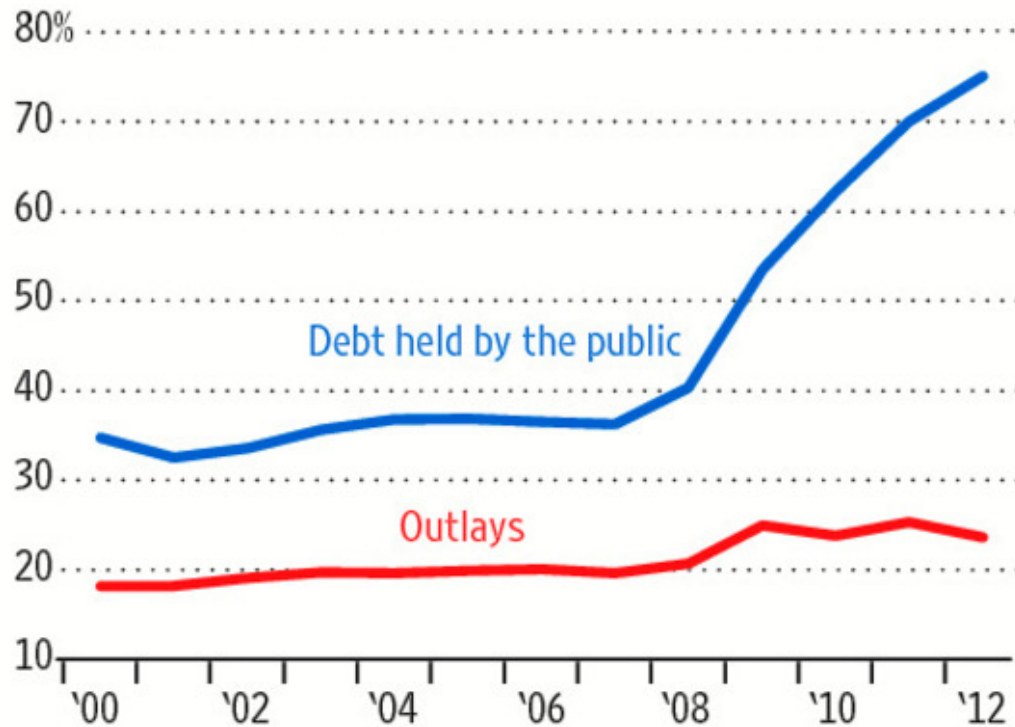
Source: Office of Management and Budget, Associated Press and Dow Jones Newswires (agency profiles)



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

The Obama Fiscal Time Bomb

Federal outlays and debt held by the public as shares of GDP, 2000-2012*



*2011 and 2012 are estimates

Source: Office of Management and Budget



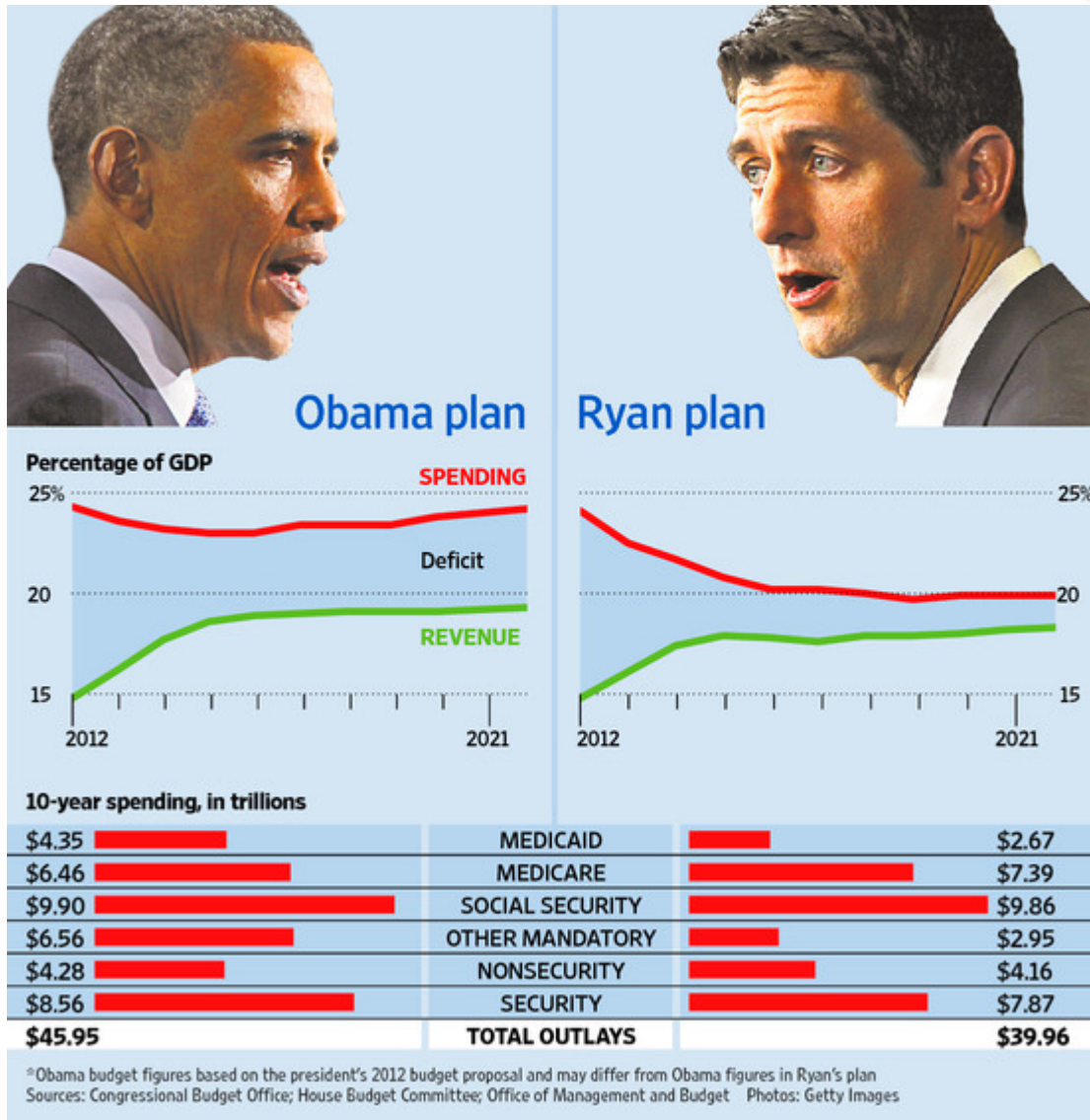
THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

Bottom Line:

There Is No Money, Only Debt

- Total Federal Debt: \$14 Trillion
- Longterm Unfunded Liabilities: \$53 Trillion
(Medicare & Social Security)





* Adds \$9.4 Trillion more to the deficit over next 10 years.

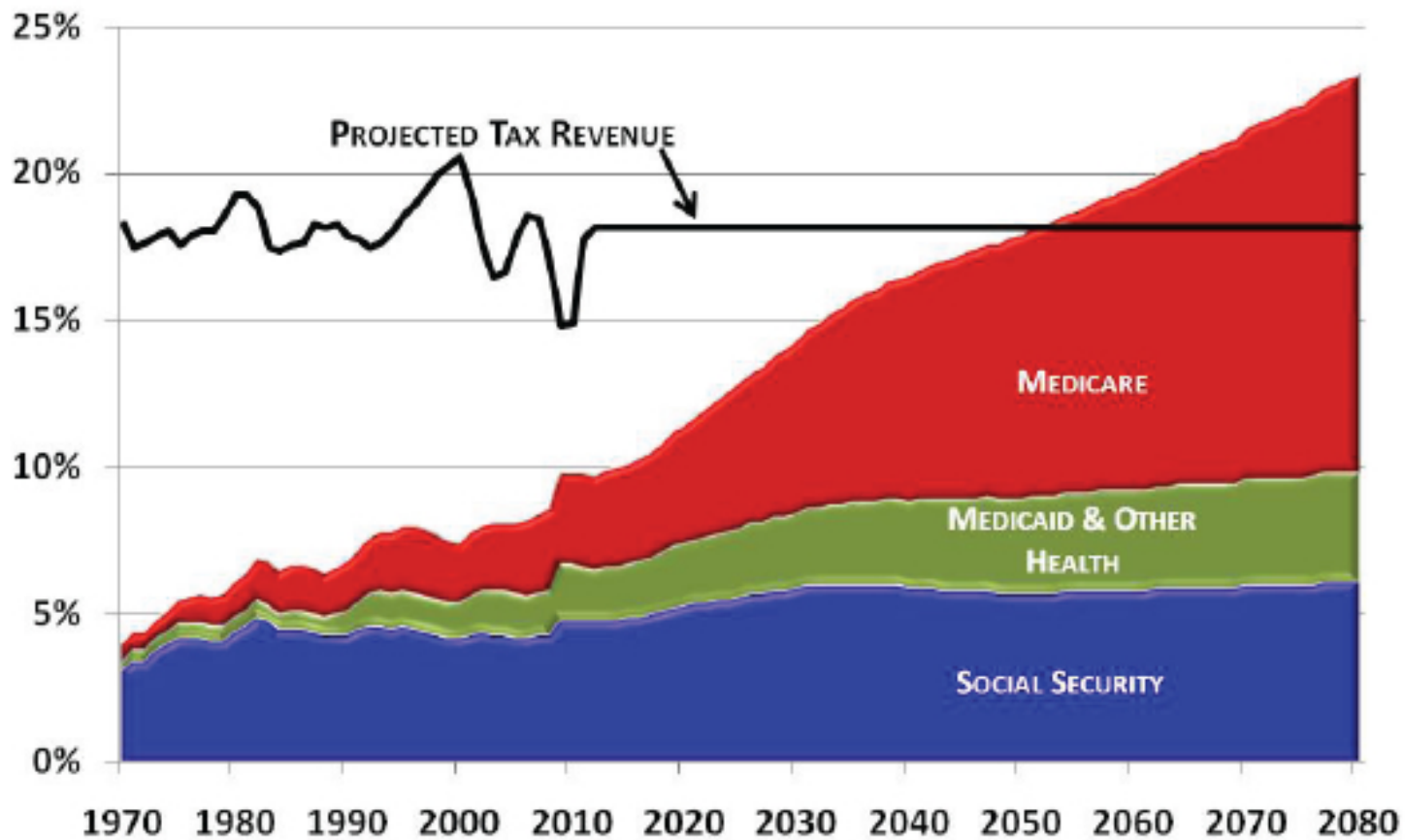
* Cuts \$6.2 Trillion from baseline projection over next 10 years.



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

WHAT DRIVES OUR DEBT?

(GOVERNMENT SPENDING AS SHARE OF ECONOMY)



SOURCE: CBO



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

The Debt Ceiling Debate

June-August 2011...a grinding Summer face off

But decisions must be made for FY 2012 budget, and raising the debt ceiling

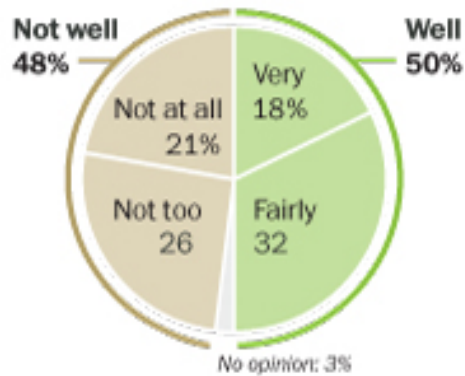
How much will Medicare, Medicaid, Government pensions and other entitlements be cut?

The global currency markets and bond markets



The Debt Ceiling Debate

Q: How well do you feel you understand what would happen if the government **does not** raise the federal debt limit?

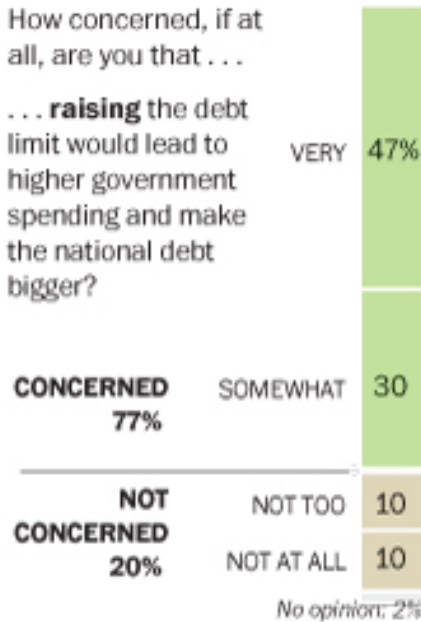


NOTE: Numbers may not add up to 100 percent because of rounding.

SOURCE: This Washington Post-Pew Research Center poll was conducted by telephone May 19 to 22 among a random national sample of 1,004 adults, including users of both conventional and cellular phones. Results have a margin of sampling error of plus or minus 3.5 percentage points. Sampling, data collection and tabulation by PSRAI of Princeton, NJ.

Q: How concerned, if at all, are you that . . .

. . . **raising** the debt limit would lead to higher government spending and make the national debt bigger?



CONCERNED
77%

NOT CONCERNED
20%

VERY

SOMEWHAT

NOT TOO

NOT AT ALL

No opinion: 2%

37%

36%

13%

10%

4%

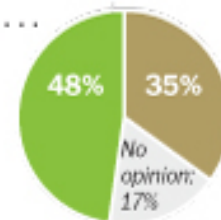
. . . **not raising** the debt limit would force the government into default and hurt the nation's economy?

CONCERNED
73%

NOT CONCERNED
23%

Q: Which is the greater concern . . .

. . . **raising** the debt limit . . .



. . . **not raising** the debt limit . . .

The Washington Post Pew Research Center poll



THE WINKENWERDER COMPANY
Innovative Healthcare Solutions

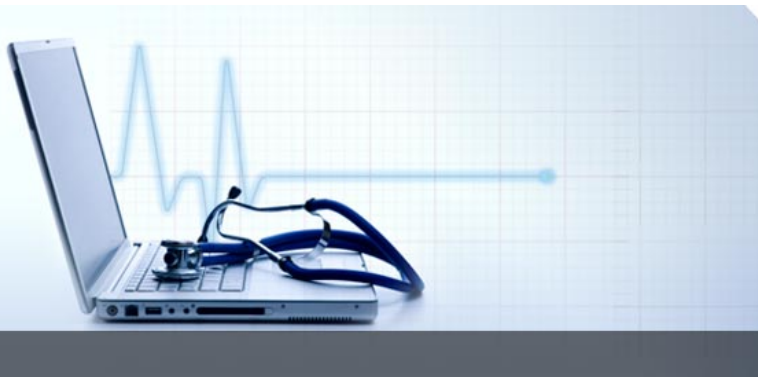
The Future of Healthcare Reform and Entitlement Reform Comes down to...

- Debt Ceiling Politics
- U.S. Supreme Court Decision
- The 2012 Presidential Election
- The 2012 Senate Elections



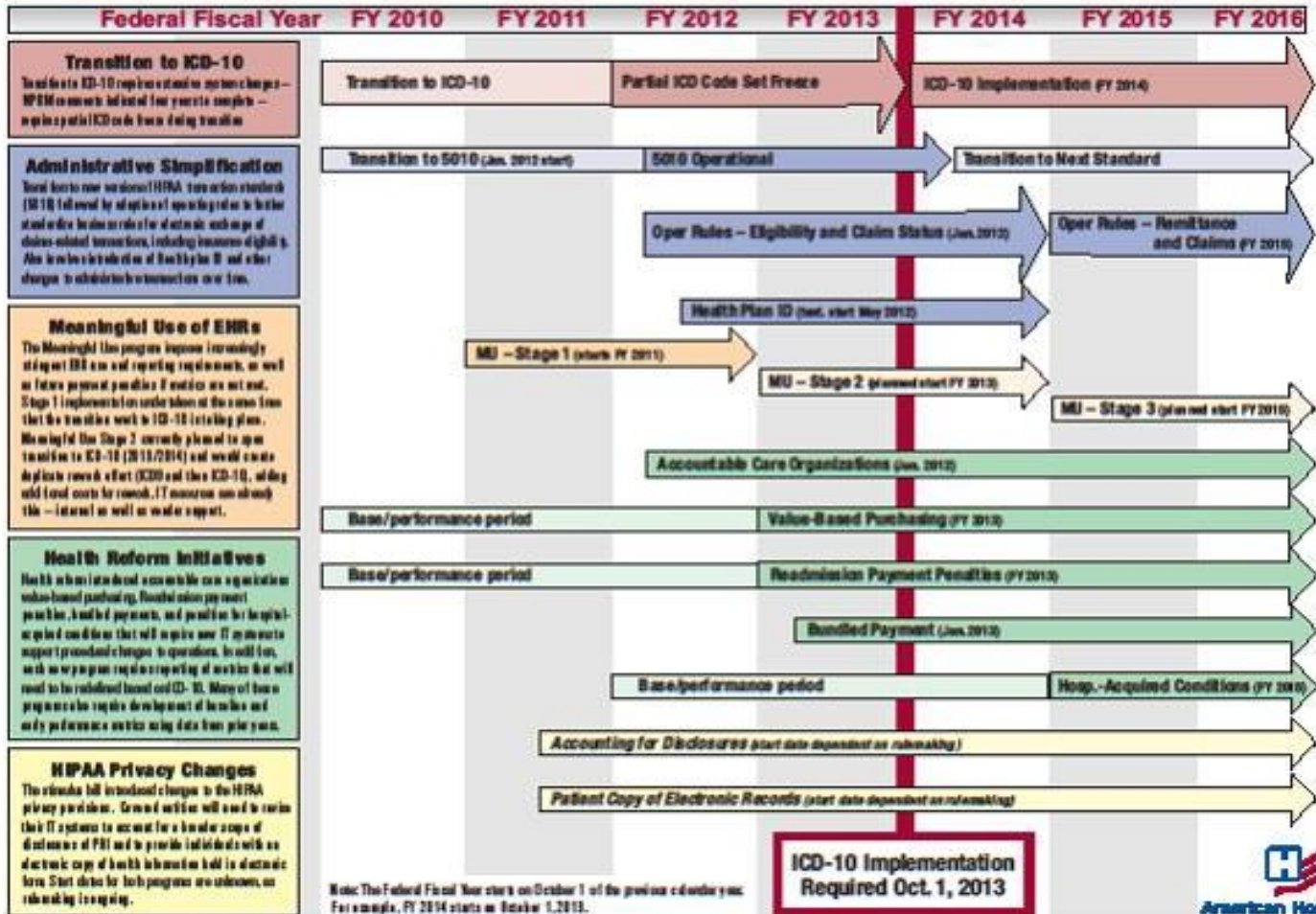
How Will the Big Reform Issues and Politics Affect the Health IT Agenda?

- The issues are connected...
- Complexity and overload will slow down the train
- Money constraints will impact Health IT spending as Medicare and Medicaid take additional hits
- More push for cheaper and easier solutions, mobile solutions
- More outsourced solutions vs. building empires



Overlapping Timelines of ICD-10, Meaningful Use of EHRs, and Health Reform Initiatives

ATTACHMENT C:



Advice – Lessons Learned

- Ensure funding up front; make a long term plan
- Avoid borrowing to pay for IT investments; identify ROI
- Do your due diligence thoroughly
- Engage clinicians early and throughout the process
- Maintain flexibility; avoid one big vendor or platform
- Winnow your IT vendor/partners to a manageable number
- Buy capabilities and services vs. building infrastructure
- Customers are the clinicians, staff, administrators, but also patients!
- Identify project team, leadership, governance oversight
- Leadership must be fully engaged



Final Thoughts

We are on the front side of a two decade ride into the future of healthcare. Healthcare will be transformed in ways planned for, but also in ways unimagined. Quality of care and service will be improved. There will be many benefits. Individuals will be far more informed and engaged with their health, and their care. So value will be enhanced. But this does not mean costs will go down. Trimming or controlling the “top line growth” of health spending will require a whole other set of solutions. That can be the topic for our next discussion!

