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To: Our Valued Clients and Their Staffs

From: Colleen M. Walters, Chief Operating Officer
Medical Professional Resources (MPR)

Subject: The Next Stage of Meaningful Use

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Proposed federal rules outline how physicians, starting in 2014, will pursue EMR adoption bonuses and avoid Medicare penalties.

Washington -- Earning bonuses and avoiding payment cuts during stage 2 of the multibillion-dollar federal electronic medical record incentive program would require using technology that meets tougher quality objectives and that helps coordinate patient care, according to a proposed rule released on Feb. 23.

The Centers for Medicare & Medicaid Services published draft regulations detailing what physicians' EMR systems will be expected to achieve by the next stage of the program, which for some practices will take effect as early as 2014. The rule modifies some stage 1 objectives and adds other stage 2 objectives that EMRs must meet for the adopting physicians and other health professionals to qualify for Medicare or Medicaid bonuses.

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An eligible professional could earn incentives of up to $44,000 over five years from Medicare or $63,750 over six years from Medicaid. Doctors would be required to adopt EMR systems and achieve meaningful use criteria by October 2014, or else they would see reduced Medicare payments in 2015.

The American Medical Association is reviewing the proposed CMS rule and will provide input before its 60-day comment period ends. The Association has been committed to supporting EMR adoption that streamlines physician practices and helps doctors continue providing high-quality care to patients, said Steven J. Stack, MD, chair-elect of the AMA Board of Trustees.

The AMA called on federal officials to conduct a full evaluation of stage 1, which started in 2011 for some early adopters, before finalizing stage 2 requirements. Doing so would help eliminate roadblocks and encourage participation in the program, Dr. Stack said. "We want to pave the way for physicians in all practice sizes and specialties to be able to take advantage of the [EMR] incentives."

The proposed stage 2 rule is expected to be finalized in summer 2012, CMS said. The Dept. of Health and Human Services is taking steps to ensure that the regulations for the next stage are not too rigid, said Farzad Mostashari, MD, HHS national coordinator for health information technology. He spoke before the rule's release at a Healthcare Information and Management Systems Society conference in Las Vegas.

In November 2011, HHS demonstrated its willingness to be flexible by announcing a delay to the start of stage 2 for those physician early adopters who earned EMR bonuses in 2011, Dr. Mostashari said. Stage 2 will begin in 2014 for those who receive their first bonuses in 2011 or 2012. HHS had set stage 2 to start a year earlier for the 2011 bonus recipients.

"A lot of what you're going to see is no dramatic change in direction," Dr. Mostashari said of the new proposed rule. "It's still the framework. It's still really continuing what's in stage 1 and getting better at it. And if there's one thing that we've all learned is that to make truly meaningful use of meaningful use, it takes time."

Bonuses harder to get

EMR bonuses would be more difficult to achieve during the second stage of the program, analysts said. Physicians would be required to report more base functionality measures and quality-of-care measures, and would have fewer options in selecting which additional meaningful use objectives to meet in stage 2.

However, some physicians also would have more time to comply with the tougher requirements, said attorney Debra Alligood White, a partner with Manatt, Phelps & Phillips in Washington. A doctor who received an EMR bonus in 2011, for instance, would have until 2014 to move to stage 2 and until 2016 to meet requirements for the yet-to-be-detailed stage 3. But physicians who don't achieve stage 1 criteria for the first time until 2017 would not make the jump to stage 2 until 2019 and stage 3 until 2021 -- even if they are assessed Medicare penalties for the years in which they don't yet have EMRs.

CMS would require more intense use of EMR technology by physicians during the second stage of the program, said Erica Drazen, a managing partner with the CSC Global Institute for Emerging Healthcare Practices in Falls Church, Va. For instance, a stage 1 requirement that computerized entry be used for medication orders would be expanded to include laboratory and radiology orders. The threshold also would be raised to more than 60% of applicable orders, from a current level of 30%. "That's a big change from stage 1," she said.

For another key objective, more than 65% of all applicable prescriptions by a physician would need to be sent electronically instead of the more than 40% that is required in the first stage. Stage 1 objectives for maintaining up-to-date problem lists, active medication lists and active medication allergy lists would be combined with the objective of providing summary of care records for patient transitions and referrals.

Starting in stage 2, physicians' EMRs would be required to meet two additional core functionality objectives than in stage 1. An additional menu set of options would require choosing three of five objectives, including the ability to provide accessible imaging results and patient family health histories, and to report specific cases to specialized registries. Stage 1 requires physicians to choose five menu options from a list of 10.

Physician organizations liked some of what they saw in their first look at stage 2 of meaningful use.

"We are encouraged to see that CMS has included reporting to specialized registries as one of the proposed menu-set objectives and look forward to reviewing the proposed standards and certification requirements that will help to implement this new objective," said William Oetgen, MD, American College of Cardiology senior vice president of science and quality. "As we continue to review the proposed regulation, we hope we will find additional thoughtful changes to the program that will promote an efficient, patient-centered health care community rather than increasing health care complexity."

White said some existing stage 1 requirements that had prompted criticism also would be fine-tuned under the proposed stage 2 rule. For instance, the core objective on computerized entry of medication orders currently requires compliance for more than 30% of unique patients, but that would be changed to 30% of medication orders generated.

EMR penalties coming

The EMR incentive program so far has only affected physician practices that have been vying for bonus money, but that soon will change.

Starting in 2015, the Medicare program is scheduled to penalize doctors who haven't adopted and used EMRs that meet or exceed stage 1 requirements. Payments for those physicians would be reduced by 1% in 2015, 2% in 2016 and 3% in 2017 and each subsequent year. To stop the 2015 pay adjustment from taking effect, a physician must achieve meaningful use objectives in the 2013 reporting year or by Oct. 1 of the 2014 reporting year.

CMS would create exemptions to the payment reduction for physicians who are practicing in areas without Internet access, newly practicing physicians or those who are subject to unforeseen circumstances, such as a natural disaster, the proposal states. Another exception would apply to physicians who demonstrate that they have a lack of control over the availability of EMR technology at their practice locations.

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For more information, feel free to contact Colleen M. Walters, Chief Operating Officer, MPR, LLC at cellular (937) 207-8846 or email c.walters@medicalproresources.com.

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