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Memo to: Executive Directors  
State Medical Associations  
County Medical Associations  
National Medical Specialty Societies

From: Michael D. Maves, MD, MBA 

Date: May 9, 2008

Subject: Medicare Electronic Health Record (EHR) Demonstration

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In October 2007, Secretary Leavitt announced HHS' plans to launch a new, five year demonstration aimed at rewarding physicians for use of Electronic Health Records (EHRs) "to reward delivery of high-quality care supported by the adoption and use of electronic health records in physician practices." The demonstration will be operated out of the Centers for Medicare and Medicaid Services (CMS) with oversight from the Department of Health & Human Services. Over the past few months CMS has slowly been releasing more information about the demonstration and the purpose of this memo is to make you aware of the structure, criteria required to participate, and upcoming deadline.

#### ***Who Can Participate***

The demonstration will be operational in up to 12 locations across the U.S. and a site may be a state, community, or another geographic region. CMS will be recruiting 2,400 small to medium sized primary care physicians practices. CMS will target practices with fewer than 20 practitioners (practitioners can include MDs, DOs, NPs, and PAs). Two hundred practices will be recruited per location – half will be assigned to a randomized control group.

For the purposes of this demonstration, practices that focus on primary care are considered to be internal medicine, family physicians, general practitioners, and gerontology. CMS is also considering including some sub-specialties that provide primary care as a significant part of their practice such as cardiology or endocrinologist. Pediatricians and OB/GYNs are not considered primary care physicians for purposes of this demonstration. Eligible practices must also treat at least fifty Medicare beneficiaries who use the practice for most of their primary care visits. And, eligible beneficiaries are considered to be fee-for-service enrollees only, they must have Medicare Parts A&B, and Medicare must be the primary payer. Beneficiaries cannot be in hospice.

#### ***Use of EHRs***

Eligible practices may or may not have implemented an EHR at the time of application. However, they must be using an EHR certified by the Certification Commission for Healthcare Information Technology (CCHIT) to perform specified core minimum functionalities by the end of the second year of the demonstration which include: a) clinical documentation; b) ordering of lab/diagnostic

tests; c) recording test results; and d) recording prescriptions. There will be no payments available to any practice until after it has implemented an EHR and it is being used for core minimum functionalities.

### ***Clinical Quality Measures and Reporting***

There will be 26 clinical measures used for reporting/performance under this demonstration. The demonstration will begin with a pay-for-reporting component followed by a pay-for-performance component. The following is an overview of this process:

- Year 1: Payments for higher payment for more sophisticated health IT use.
- Year 2: Payments for EHR use and reporting clinical quality measures.
- Years 3-5: Payments for actual performance on the clinical quality measures, rather than just reporting.

### ***Incentive Payments***

There will be different payments tied to each year of the demonstration which are detailed in the below table.

| <b>Demo Year</b>                                    | <b>Basis of Payment</b>                         | <b>Maximum \$ per MD/year</b> | <b>Maximum \$ per practice/year</b> |
|---|---|-------------------------------|-------------------------------------|
| 1   | EHR Adoption                                    | \$5,000                       | \$25,000                            |
| 2   | EHR Adoption & Reporting of Clinical Measures   | \$8,000                       | \$40,000                            |
| 3-5 (annual payment)                                | EHR Adoption & Performance on Clinical Measures | \$15,000                      | \$75,000                            |
| Total Potential Demonstration Payment (All 5 years) |   | \$58,000                      | \$290,000                           |

### ***Rollout and Implementation***

The demonstration will be rolled out in two phases. During the first phase four site locations will be implemented and the remaining eight will be implemented in the second year. Areas of the country in which CMS already operates another active demonstration will be excluded from participation in the EHR demonstration.

(see [http://www.cms.hhs.gov/DemoProjectsEvalRpts/downloads/EHR\\_Instructions.pdf](http://www.cms.hhs.gov/DemoProjectsEvalRpts/downloads/EHR_Instructions.pdf) for a list of excluded communities.)

CMS is in the process of soliciting applications for each of the communities where the demonstration will be implemented. The application process however, is not intended for individual physician practices. The AMA will continue to track the rollout and implementation of this demonstration and will inform the state and specialty medical societies when CMS announces the selected sites / communities.

The AMA is interested in hearing from state medical societies aware of entities in their area who have or plan to submit an application for the demonstration. Please direct this input to Mari Savickis at [mari.savickis@ama-assn.org](mailto:mari.savickis@ama-assn.org) or 202-789-7414.

For more information on the demonstration please visit CMS' website at:

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/list.asp#TopOfPage>.