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TESTIMONY BEFORE THE  
SENATE COMMUNICATIONS AND TECHNOLOGY COMMITTEE

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**WORKING TO ACHIEVE ACCESSIBLE, AFFORDABLE QUALITY HEALTH AND LONG TERM LIVING SERVICES FOR ALL PENNSYLVANIANS**

Senator Folmer and Members of the Committee,

Thank you for the opportunity to discuss the Governor's Office of Health Care Reform's efforts to date to create the electronic highway that will help improve health care quality for all Pennsylvanians. The goal of providing high quality, cost-effective patient care requires a delivery system that couples the use of evidence-based health care practices with access to timely, accurate patient information. A key component for achieving this goal is the Pennsylvania Health Information Exchange (PHIX) - a statewide health information exchange (HIE) utility that gives authorized health care providers secure, timely, and accurate access to patient data at the point of care. PHIX will be a vehicle to provide connectivity between multiple sources of data that may include local/regional HIEs, integrated delivery networks (IDN), large health systems, payers, pharmacy benefits managers, laboratories, hospitals, providers, registry systems, the state Medicaid system, and the Pennsylvania Department of Health.

The effective use of health information exchanges, coupled with the concurrent increased adoption of electronic health records (EHR) and electronic prescribing (eRx), are necessary tools for improving and transforming our health care system. The Stimulus Bill enacted in February 2009 includes significant funds to help physicians and hospitals adopt electronic health records and to electronically share patient information outside of their organizational walls. Physicians and hospitals in Pennsylvania are eligible for incentives to purchase EHRs and become meaningful users of that technology. The money will be available to them beginning in late 2010. "Meaningful use" is being defined by the Office of National Coordinator (ONC) and is a list of functions and activities that EHRs must provide to qualify for the incentive payments. Medicare providers without EHRs or whose EHRs don't meet the meaningful use definition

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will see a reduction in their Medicare payments of 1% beginning in 2015. This reduction will increase an additional 1% in years 2016 and 2017.

The EHR incentives for Pennsylvania hospitals and providers total approximately \$1.5 billion over six years. While this is a significant amount, the cost to hospitals and providers to acquire and implement the required technology is nearly four times greater. This offers financial challenges to physicians and hospitals and provides significant opportunities to vendors that will offer new or upgraded products. In order to make the best use of EHRs and to qualify for the incentive payments, connectivity with other providers is required.

There are stimulus funds available for states to implement health information exchanges to provide that connectivity. Pennsylvania is eligible to receive \$17.1 million in stimulus funds over four years to create a statewide HIE - PHIX. There may also be money available from Medicaid, which includes matching funds, to offer connectivity to Medicaid providers.

Work began on PHIX prior to the Stimulus Bill. A group, including several Commonwealth agencies and external stakeholders, worked to identify requirements for an HIE product. Implementing an HIE is a multi-year process that will take five years or more following the selection of a vendor. When federal guidance was issued in August 2009, it included an ambitious timeframe for implementation of statewide exchange capabilities.

Federal guidance issued at the end of December 2009 outlined three stages for attainment of meaningful use. Stage 1 requires only limited HIE, but there are functions defined in Stage 1 that providers may leverage HIE to achieve. Most notably, this includes the ability to send and receive clinical summaries between providers. Stage 2 standards, projected to be in place for 2013, are expected to

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require substantial HIE capabilities—providers will be expected to electronically exchange clinical information outside of their organizational walls and will be expected to electronically transmit quality measurement data. If Pennsylvania could begin implementation today it would be difficult to have HIE available to all providers and hospitals in Pennsylvania by 2013.

It is also our responsibility to provide connectivity for Medicaid providers and hospitals. Medicaid has approximately 6,000 providers and about 145 hospitals across Pennsylvania that are potentially eligible to receive EHR incentives.

In May 2009, the Delaware Health Information Network (DHIN), the first statewide HIE in the country, approached us to explore a way to leverage their system in the southeastern corner of Pennsylvania. They had been contacted by health systems in the Philadelphia area to see if they could use DHIN. Our discussions began to focus on a way to provide a regional HIE for Medicaid providers.

During our fact-finding with DHIN, our office became aware of the significant amount of money and time that they have invested in their system - nearly \$20 million over eight years. This includes intellectual property and work products that are specific to DHIN's vendor and are not transferable to another product. The ability to leverage the work that DHIN has done, at no cost to Pennsylvania, could expedite the implementation of PHIX by between 18 and 24 months.

Attorneys from the Office of Administration and the Department of General Services reviewed Chapter 19 of the Procurement Code to determine if an intergovernmental agreement could be put in place with Delaware to piggyback on their existing vendor contract. While this was underway more fact-finding took place including product demonstrations, financial review and a detailed technical review.

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To be eligible for the \$17.1 million Stimulus funding for PHIX, our office needs to submit a strategic and operational plan to ONC for approval. As we created the proposed strategic plan, we identified areas where gaps exist and the alternatives to satisfy those gaps. The plan, as defined by ONC, is organized by "domains" which include Governance, Finance, Technical Infrastructure, Business and Technical Operations and Legal and Policy. Based on our research we made recommendations in the proposed plan and made it available for public review and comment.

The two recommendations that received the most public comment were those made in the Finance and Technical Infrastructure domains. For Finance the draft plan recommended a modest assessment on medical claims - a fraction of one percent - as an equitable funding mechanism. Based on public comment we are reviewing additional alternatives.

The Technical Infrastructure recommendation was to enter into an intergovernmental agreement with Delaware and piggyback on their existing vendor contract. Our research shows significant financial benefit in reduced costs and the ability to expedite the implementation to meet the needs of hospitals and providers. Other benefits, often overlooked, to expediting the HIE implementation is the improved quality of health care, the reduced medical errors, and the associated decreased costs.

The cost to implement PHIX will vary depending on how many hospitals connect directly. The implementation strategy for PHIX is to connect regional HIEs and integrated health systems. Regional HIEs may be geographic or may be based on vendor's products. PHIX must also provide a safety net for hospitals and providers that are not part of regional efforts or large health systems. No existing

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or proposed HIE will be replaced by PHIX and PHIX will not require hospitals and providers to purchase specific products. The cost for implementing PHIX is a small portion of the total cost hospitals and providers will pay to prepare their systems for meaningful use. We estimate the Delaware contract, should we proceed that way, would be 2% of the cost of IT work needed in Pennsylvania to have health care providers meet the "meaningful use" definition. The other 98% would be available to other IT contractors. A cooperative agreement with DHIN would also accelerate the opportunities for vendors to engage in this substantial HIT work.

Another reason for speedy implementation of PHIX is that EHR adoption and health information exchange will save the Commonwealth millions of dollars – and provide Pennsylvania residents with higher quality health care. Oklahoma's SMRTNET from 2007-2009 has achieved 520 fewer deaths from adverse drug events, saved their Medicaid program \$62.2 million and realized a total savings of \$655.4 million with only a 35% adoption rate. By 2011, SMRTNET anticipates a 55% adoption rate with 407 deaths avoided and total savings of \$784.8. Savings are due to elimination of adverse drug events, reduction of redundant lab and radiology tests, elimination of fraud and abuse, prescription drug savings, and reduction in administrative tasks related to paper records. Pennsylvania has three times the population and could avoid three times the deaths each year and realize triple the savings.

Whether an agreement is used to partner with Delaware or an RFP procurement is used, implementing PHIX will create and retain jobs in Pennsylvania. If a cooperative agreement is used DHIN will create one position in Delaware - a project manager - with the possibility of a second position for an analyst. All other jobs, PHIX office staff, implementation specialists, project managers, help desk etc., will be here in Pennsylvania. Other functions, including programmers

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and analysts for interface implementation, testers, and other IT jobs will be needed at the PHIX and user level and will be here in Pennsylvania. Vendors that have hospital and physician systems in Pennsylvania will need increased staff to implement upgrades and/or new products as users prepare for meaningful use. There will be significant staff, dollars and time required for hospitals and providers to be able to meet the meaningful use requirements.

The next step in our process is to report our findings to the Health Care Reform Cabinet - the Secretaries of agencies that are involved in health care - to obtain their input on our Strategic Plan. Our office will then submit our Strategic Plan for approval by the federal agency that is providing us with the funds for our HIE.

Thank you for the opportunity to brief you on this important initiative. I am happy to answer any questions you may have.