Issue Brief:

Health Information Technology

National Association of State Budget Officers

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This brief examines the progress being made in developing, promoting, and funding Health Information Technology (HIT) initiatives at the state level. States have actively participated in activities geared towards creating interconnected, electronic healthcare systems that will improve quality and cut costs for their citizens. Most of the funding issues surrounding HIT adoption at the state level are still in question, with most federal money coming from the Department of Health and Human Services (HHS) focused on a national strategy rather than appropriations to states. Therefore, states have focused on establishing advisory boards, conducting studies, and devising creative financing plans. Although no federal mandates have been issued at this point, federal HIT legislation is still pending and could be addressed during the November "lame duck" congressional session.

Background

On April 27, 2004 President Bush issued an Executive Order establishing the Office of National Coordinator for Health Information Technology (ONC) within HHS and also called for the widespread use of Electronic Health Records (EHRs) by 2014. EHRs have been shown to offer many benefits to patients, including improved quality of care, lowered costs, and the prevention of medical errors. The Veterans Administration, for example, has successfully implemented EHRs which has created a 25 percent reduction in costs and dramatic improvements in quality of care and patient satisfaction. The majority of savings are derived from the interoperability of HIT as well as the administrative savings that result from advances in technology.

The Role for States

States are active in advancing HIT in the quest to improve health care. The figures below are based on the September 25, 2006 eHealth Initiative's[1] *Third Annual Survey of Health Information Exchange Activities at the State, Regional, and Local Levels*, which surveyed 49 states, the District of Columbia, and Puerto Rico:

- During 2005 and 2006, 38 states introduced 121 bills specifically focused on HIT**;** 36 bills were passed and signed into law in 24 states during this period.
- Twenty-eight states have either initiated an HIT plan or are underway with the HIT planning process.
- Governors have issued ten Executive Orders calling for the development of strategies, plans and recommendations for using HIT, including:

[1] The eHealth Initiative is an independent, non-profit organization whose mission is to drive the improvement in the quality, safety, and efficiency of healthcare through information and information technology by engaging various public and private stakeholders.

- Arizona Governor Janet Napolitano established a Steering Committee for the Arizona Health e-Connection and called for task forces to develop an e-health information infrastructure;
- California Governor Arnold Schwarzenegger required the convening of California eHealth Action Forum to develop a comprehensive state policy agenda for HIT and present an action plan outlining how the state will implement a comprehensive HIT program by July 1, 2007;
- Georgia Governor Sonny Perdue created the Health Information Technology and Transparency Advisory Board to establish a state-wide strategy to enable the timely exchange and transparency of health information.
- Missouri Governor Matt Blunt established the Missouri Healthcare Information Technology Task Force and directed them to issue a report addressing the current status of barriers, cost, and best practices for promoting the adoption of HIT;
- Wisconsin Governor Jim Doyle established the eHealth Care Quality and Patient Safety Board to review and make recommendations on the creation of eHealth information technology infrastructure and develop guidance for users of this infrastructure. The Board is expected to submit an action plan to achieve the automation of all health care systems by 2010.

The majority of state activity thus far has focused on the creation of bodies such as commissions, councils, and task forces to conduct studies, make recommendations, and develop plans for HIT. The duties and responsibilities these groups are charged with include: information gathering, determining how HIT can effectively be used, searching for ways to coordinate health information exchange activities, and assuring the privacy and confidentiality of patient information, which has been a major concern across all states and among national health care stakeholders.

Privacy and Confidentiality

Among the 19 HIT grants awarded by HHS totaling nearly $40 million, the largest by far was a $11.5 million grant to the non-profit research group RTI International. RTI, together with the National Governors Association Center for Best Practices, is subcontracting with 33 states and one US territory to examine privacy issues involved in the creation of a National Health Information Network. This collaboration, known as the Health Information Security and Privacy Collaboration (HISPC), is aimed at identifying best practices and challenges involved in the national use of EHRs. It is focused on identifying privacy and security policies, regulations, and business practices, and collaboration through regional and national meetings to develop solutions. According to the National Governors Association (NGA), representatives from each state are expected to meet and discuss implementation plans for sharing health information across states in March 2007.

Funding of Health Information Technology

Health IT will require significant initial investments as well as ongoing funding. The e-Health Initiative survey referenced above found that 52 percent of state leaders view securing upfront funding for HIT as a significant challenge. In 2005 and 2006, 15 bills introduced in 11 states called for the incorporation of financing strategies for HIT, including grants and loan programs. Seven bills including such language have been passed thus far. Additionally in 2005 and 2006, 27 bills in 16 states called for either the authorization or appropriation of funding for HIT or health information exchange related activities. Eight such bills have been passed into law thus far.

To date, states who have reached the financing stage of HIT implementation have done so by either obtaining a waiver to invest in HIT or establishing a matching grant system whereby the health care provider receiving the HIT equipment and training must match state funds. In New York, $3 billion in federal funds was obtained through a five-year research and demonstration Medicaid waiver, $1.5 billion of which the state will invest in HIT and related initiatives. According to an HIT expert who has done

extensive research in the area, the states that are furthest along in developing HIT recognize that Medicaid waivers are an excellent way to financially leverage federal funds to advance HIT in their states. In Minnesota, an e-health Initiative Steering Committee Finance Workgroup has developed financing principles for Minnesota e-Health projects, including the following:

- Investments in HIT need to advance interoperability and progress toward an integrated system;
- Alignment must be achieved between the cost of investments and the benefits received;
- Public funding that finances HIT should focus on small, rural, or underserved populations, require a resource commitment from recipients (such as matching grants), in-kind staff contributions, demonstrated production of general public benefit, etc.

Following these principles, the Minnesota e-Health initiative has funded many HIT demonstration projects throughout the state. In 2006, Governor Tim Pawlenty proposed $12 million in matching grants for HIT, while the legislature appropriated $1.5 million in funding for 2006.

Federal Legislation

Although official health IT legislation has yet to be enacted, the following measures have passed in Congress:

House: July 2006: the *Better Health Information System Act IT*, officially establishes the Office of National Coordinator for Health Information Technology (ONC); enables HHS to award grants to advance a national HIT strategy; exempts hospital donations of health information technology and related training services to physicians from anti-kickback rules; and directs HHS to study whether current state and federal laws should be changed to create a single set of national standards to protect the confidentiality and security of patient health information.

Senate: November 2005: the *Wired for Health Care Quality Act* amends the Public Health Service Act to establish the ONC and authorizes appropriations for grants to facilitate the adoption of certain health information technology. The Senate version lacks the somewhat controversial measure exempting hospital IT donations from anti-kickback rules.

The Next Steps

Health IT is on the agenda for discussion during the lame duck congressional session, which begins on November 13. However, no conferees have been named and as of now, there has been no indication as to how the Senate and House versions of HIT will be reconciled. In addition to disagreements on the Hill regarding the exemption of hospital IT donations from anti-kickback laws, outside groups are in a heated debate over whether to set 2010 or 2012 as the deadline for implementation of a new high-tech payment coding and medical diagnosis system known as ICD-10. On one side of the disagreement, medical groups such as the American Academy of Pediatrics and the US Chamber of Commerce are pushing for the closer 2010 deadline, while an opposing group led by America's Health Insurance Plans (AHIP) believes the 2010 deadline is unrealistic. They have expressed their belief that the 2012 deadline would be less costly and would also give the health care industry adequate time to adopt the electronic standards set forth in the Health Insurance Portability and Accountability Act (HIPPA). It is quite possible, therefore, judging from the controversial nature of the bill, that no decisions will be made until the next congressional session. Neither bill currently includes a mandate, nor is it likely, according to NGA, that an unfunded mandate will be issued to states.

The NGA Center for Best Practices recently announced the State Alliance for e-Health initiative, which was established and developed by the NGA Center under a contract with the ONC. The Alliance is centered on a twelve member consensus-based state-level advisory committee that seeks to improve health care by increasing the efficiency and effectiveness of HIT initiatives. It hopes to provide a forum

through which governors, state officials and other policymakers can work together to identify inter- and intra-state HIT policies and best practices. Through the creation of working groups that will make recommendations to the advisory committee, the Alliance hopes to address the following: privacy and security issues involved in using HIT, which will involve the findings from studies on the HISPC grants; state-level HIT issues that are common across states and challenge the interoperability of health IT and information exchange; HIT governance and financing stability models across states; and learn from and leverage national-level efforts and resources to achieve interoperable HIT. The Alliance hopes that this will allow for dialogue and the sharing of best practices among states. In terms of funding, it seems that financing models will differ according to states' needs and resources, although one of the working groups within the alliance will focus on funding models for states. As the HIT issue and particularly the funding of state initiatives evolves, NASBO will continue to update its members.

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