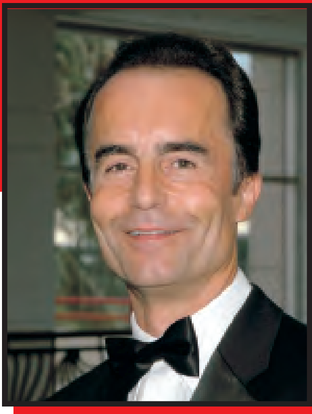

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Medical Information Technology

Changing The Reimbursement Paradigm: Threat or Opportunity

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The recurring annual Medicare physician's reimbursement debacle exemplifies the core issue threatening the financial viability of physicians practice. This year's payment cuts were averted but only deferred to next year. **Then we will face a combined 20% cut!**

What is the problem? Medicare spending growth is driven mainly by volume growth. The default fee update is linked to volume growth and the "Sustainable Growth Rate (SGR)" system sets targets and generates fee cuts if spending exceeds targets. Curbing the spending increase requires addressing three core issues: cost, quality and outcome. Reforming the Medicare payment system must be a top priority to guarantee and maintain access to healthcare services for America's Seniors. Such reforms will include the following features outlined in a recent MedPAC report and published CMS rules and regulations. On June 13th, 2008 the Medicare Payment Advisory Commission (MedPAC) released its report to Congress entitled *"Reforming the Delivery System".* The report emphasizes that *"To increase value for beneficiaries and taxpayers, the Medicare program must overcome the limitations and incentives for volume growth in its current payment systems and...recommends that CMS conduct a voluntary pilot program to test bundled payment for all services around a hospitalization for select conditions."* Virtual bundled payment would use the current fee-for-service system but would *"begin weaning providers away from inefficient ordering of tests and procedures"* by penalizing them for *"above average resource use."* Furthermore, the Centers for Medicare & Medicaid Services (CMS) is already linking payment updates to quality measure reporting: The Medicare Improvements and Extensions Act under Division B, Title I of the Tax Relief Health Care Act of 2006, Pub. L. 109-432 (MIEA-THRCA) requires the Secretary of Health and Human Services to develop measures to make it possible to assess the quality of care (including medication errors) furnished by hospitals in outpatient settings.

The introduction of composite ambulatory payment classification (APC) groups: In this final rule with comment period, CMS is also adopting the use of composite ambulatory payment classification groups (APCs) to encourage efficiencies by providing one bundled payment for several major services. Composite APCs encourage even greater hospital efficiencies than expanding packaging by making a single payment for the totality of hospital outpatient care provided during an encounter.

What does that mean for us physicians? That we need to implement tools to measure the services we are rendering in our practice. This does not only include electronic billing but also electronic health records to quantify the quality of our care and to ascertain the desired outcome of treatments rendered.

Many experts, including myself, believe that current cost and quality concerns can be addressed through *clinical transformation,* the systematic modernization of the health care industry on the basis of new and evolving clinical information systems. Unlike other aspects of society, the health care delivery system has been relatively unaffected by the recent revolution in information technology. But according to the Institute of Medicine (IOM), if we expect to see substantial improvement in quality over the near term, information technology (IT) will need to play a central role in the redesign of the health care system. Indeed, being able to take advantage of advances in information technology is seen as a critical catalyst and enabling factor in the process of change.

We have a great deal to learn from the experiences of companies in other major service industries, where IT has proved to be a transformative force. Banking, airlines, and retailing are frequently held up as success stories in their use of IT advances to increase efficiency and improve service quality.

A key driving force in the adoption of service quality- and productivity-enhancing IT systems and applications is the growing impact of market competition. In order for competition to be a significant force in the adoption of clinical IT in health care, the market must *reward quality, allowing health care providers to charge more for a higher quality of care.* Establishing such an effective, competitive market requires three components: 1) consumer demand; 2) provider competition; and 3) IT capabilities at a reasonable cost. Today, consumer demand and provider competition present relatively effective forces driving competition, although both could be spurred on with greater private and public sector initiatives. On the other hand, without subsidies to promote more technological innovation, the limited availability of affordable IT solutions may hinder development of a truly competitive market for the foreseeable future.

A key factor underlying company success and industry transformation is the combination of management competencies referred to as IT Leadership. As competition becomes a more significant driver of change in health care, IT Leadership must be increasingly attuned to the impact of market forces and maintain an intense focus on the customer. Effective IT leadership in health care will come to resemble what's been behind IT transformation in other industries. Health care executives and clinicians must still be prepared to deal with the traditional hurdles to IT implementation peculiar to the health care setting. However, they also need to understand and respond to the challenges presented by an increasingly competitive environment, since competition will influence their choice of overall corporate and IT integrated strategies, major IT decisions and investments, and the optimal approaches for achieving successful implementation.

What sort of IT advances should we strive for? We have to promote the use of better systems for collecting, analyzing, and, where appropriate, distributing patient-level clinical information to systematize and therefore improve the process of health care delivery. Lately, most attention has focused on the value of hospital-based computerized physician order entry (CPOE), but this is only one component of a transformed clinical system that will act as a major line of attack on the problem of medical errors. The foundation of the system would be the electronic health record which can interface with other information systems via regional Health Information Exchange (HIE) systems The main purpose of these clinical systems is to provide targeted and timely information at key decision points along the path of diagnosis and treatment, allowing clinicians to provide more effective care and permitting managers to assess care processes to improve their cost effectiveness.

While health care faces massive challenges integrating internal and external IT systems, its most overwhelming problems relate to gaining physician and hospital staff cooperation for implementation. Many doctors hesitate to embrace the clinical transformation challenge. This attitude on the part of physicians is going to change and organized medicine has to assume a leadership role by offering educational programs, promoting group purchasing discounts for hard- and software solutions and lobbying for the adoption of universal IT standards to facilitate the exchange of medical information.

Medical societies should also consider to acquire a stake in local health IT initiatives to direct the development of medical information technology towards affordable and adaptable service solutions. Our medical practices cannot survive the challenges of the 21st century utilizing 18th century pencil and paper technologies. The time to change is now!

Disclaimer: The author is a computer consultant, founder and managing partner of VirtualMed,LLC