

# ARRA and HITECH

## A Medical Economist's Analysis

Legislative efforts to reform healthcare in 2009 will be remembered for their bitter partisan divisions. Ironically, the single area of agreement between Republicans and Democrats was incorporated earlier in the year, before the battle over reform was engaged, in the Healthcare Information Technology for Economic and Clinical Health (HITECH) title of ARRA. The final vote on ARRA was cast almost entirely along party lines, but HITECH's generous provisions for health IT could have come from the reform proposals of either party's presidential candidates.

Does the bipartisan commitment to EHRs, CPOE and other cost-reducing, quality-enhancing automation mean that digital transformation of healthcare will happen faster and better than it would have without ARRA/HITECH? Sadly, no. The law has at least as much potential to delay progress in health IT as to promote it. Leaders of provider organizations must approach HITECH with total awareness of its strengths and weaknesses.

As a medical economist with 40 years of experience in the healthcare business, I cannot imagine an efficient and effective delivery system without digital transformation. Our highly dedicated personnel are often working beyond the limits of human capacity—that is, unproductively and unsafely—because they are reliant on paper records that cannot always give professionals the information they need to do the right things as inexpensively as possible. Good health IT is an absolute precondition for any of the economic or clinical improvements targeted by health reform.

### **IT'S (STILL) THE ECONOMY, STUPID**

As politically well-intentioned as ARRA was, HITECH funds cannot arrive in time or be available for all the hospitals and physicians who need them. The economic environment for the foreseeable future, not the hurdles imposed by HITECH's uncertainties, is the biggest challenge for providers. The historical growth of annual spending on healthcare is almost surely coming to an end because the stakeholders who pay the bills—gov-

**Does the bipartisan commitment to EHRs, CPOE and other automation mean that digital transformation will happen faster and better than it would have without ARRA/HITECH? Sadly, no.**

ernment, employers and consumers—will not see increases in their overall spending power within the timeframe that providers might hope to recover costs incurred in health IT investments. Even health reform will not solve the long-run

economic problem. Any increases in the number of Americans with health insurance will ultimately be offset by corresponding decreases in the scope of individual coverage (i.e., consumers will be expected to pay more out-of-pocket).

Further, HITECH does not prospectively provide seed money for making essential investments in information technology. Rather, the funds are only authorized to reimburse expenditures already incurred in the acquisition of "certified" IT systems that are "meaningfully" used, however these concepts will ultimately be defined next year and periodically revised through 2015. Any hospital or physician practice that hopes to be receive HITECH funds must invest in the system first and hope that the system(s) it installed are eligible for reimbursement when, in the best-case scenario, funds from ARRA will be disbursed over a four-year period beginning in 2011.

In the meantime, the economic downturn and health reform (if any legislation becomes law) will continue to increase

providers' receivables but not income, creating a serious Catch-22. The economic and clinical benefits of health IT are needed now because raising fees to increase revenue is no longer a viable strategy, yet there's no guarantee that investments

made in health IT today will be reimbursed later or that provider organizations can survive while delaying health IT investments until they know for sure how to qualify for ARRA funding.

In other words, holding out for clarity on HITECH is a luxury that many providers cannot afford because they must become efficient and effective sooner rather than later in order to be in business when federal reimbursement becomes available. (More than a few providers will discover in the final analysis that the costs and/or hassles of taking the money exceed the benefits, but that's the topic for another column.) Vendors and consulting firms will also be affected by this paradox, ready to provide essential services to clients who need but cannot afford them. Purveyors of health IT services, like providers of medical services, must create new business relationships in order to avoid financial disaster for both.

## **CAUTION: ONE TRAIN CAN HIDE ANOTHER**

Discussions over the precarious position of American healthcare and the need to reform it include frequent references to an impending train wreck. This metaphor brings to mind the sign at a two-track railroad crossing. The passage of one train does not mean that it's safe to move forward; another unseen danger can be ready to strike. Eventual availability of HITECH funds does not in any way eliminate dangerous economic forces that will be rolling down the track for years to come.

Consequently, a provider's life-or-death challenge is to position the organization for economic survival now, not to position for ARRA dollars later. Hospitals and medical groups that ultimately receive HITECH reimbursement can still fail financially if they do not focus their attention on producing safe and effective medical services at prices governments, payors, employers and consumers can afford to pay in a constrained economy. All efforts should be focused on using performance improvement to capture wasted resources and reallocating them to improving patients' health. Marginal services will often need to be discontinued in the process.

At the bottom line, literally and figura-

tively, performance improvement is the critical success factor—and it absolutely requires automation of information. Providers simply cannot become any more efficient and effective with paper-based records. Digital transformation of healthcare information is essential to survival in an economy that will not grow fast enough to mask problems in cost and quality. HITECH and health reform may be getting all the attention because they are moving slowly on the closest track, but our efforts need to be focused on the operational challenges that are racing behind them. Provider organizations that do well over the next few years will have installed robust health IT to support process improvement. Some of them will benefit from ARRA along the way, even though that was not their primary goal. **JHIM**

---

**Jeffrey C. Bauer, PhD**, a nationally recognized medical economist and health futurist, is a Chicago-based partner in the management consulting practice of Affiliated Computer Services (ACS Healthcare Solutions). Visit [www.jeffbauerphd.com](http://www.jeffbauerphd.com) or contact him at [jeff.bauer@acs-inc.com](mailto:jeff.bauer@acs-inc.com).

### **Editor-in-Chief**

Richard D. Lang, EdD

### **Vice President, Communications**

Fran Perveiler

### **Senior Editor**

Matt Schlossberg

### **EDITORIAL REVIEW BOARD**

Mary Alice Annecharico, RN, FHIMSS

Executive Director, IS

University of Pennsylvania School of Medicine  
Philadelphia, PA

Marion J. Ball, EdD, FHIMSS

Fellow, IBM Global Leadership Initiative

Center for Healthcare Management

Professor, Johns Hopkins School of Nursing

Eta S. Berner, EdD

Professor Health Services Administration

University of Alabama at Birmingham

Birmingham, AL

William F. Bria, MD

Chief Medical Information Officer

Shriners Hospital for Children

Tampa, FL

John P. Glaser, PhD, FHIMSS

Vice President and CIO

Partners HealthCare System

Boston, MA

Margaret M. Hassett, MS, RN, C, FHIMSS

Director of Clinical Informatics

Berkshire Health Systems

Pittsfield, MA

James Langabeer II, FHIMSS

Associate Professor,

Management & Policy Sciences

The University of Texas School of Public Health

Houston, TX