## Understanding Stark Relaxation

While other industries have been transformed by information technology, healthcare providers still primarily manage information on paper. As a result, most people have fragmented medical records, with no single provider having a complete, current picture of a patient's medical history. The consequences of this disjointed view of a patient's health can reduce the quality of healthcare and can be a matter of life or death.

To raise the quality and improve the safety of healthcare in this country, President Bush announced the ambitious goal of having an electronic medical record (EMR) for most Americans by 2014. We have a long way to go to reach that goal:

- In 2005, a RAND Corporation study found that only 15 to 20 percent of physician offices and 20 to 25 percent of hospitals in the U.S. had adopted EMR systems.[1]
- A 2006 report by the Robert Wood Johnson Foundation estimated that between 17 and 24 percent of physicians had access to EMRs.[2]
- Many of these systems are legacy products that do not incorporate the most current functionality for data sharing, clinical content, and workflow.

There are numerous barriers that prevent physicians from adopting EMR systems, with cost issues being among the most notable.[3] In 2006, the federal Department of Health and Human Services through its Centers for Medicare and Medicaid Services and Office of the Inspector General created new safe harbors and exceptions to the regulations implementing the Anti-Kickback Statute and the "Stark" Physician Referral law. These rules, before the recent modifications, had limited hospital financial support for physician implementation of EMRs.

The new regulations[4] allow hospitals and other entities to provide EMR technology to physician practices at a subsidy of up to 85 percent of software and implementation costs. Physicians are still responsible for hardware costs.

These recent revisions are collectively referred to in this report as ***Stark Relaxation***.

## How Was the Study Conducted?

GE Healthcare commissioned an independent market research firm to conduct a blinded study[5] of 200 physicians in small, medium, and large practices to identify what effects Stark Relaxation may have on physicians' intent to acquire or upgrade EMR systems in the next 12 to 36 months. Included in the survey were physicians without an EMR system and those with a system greater than three years old.

The survey was conducted in October 2006. Two hundred physicians were interviewed about their attitudes toward electronic medical records and Stark Relaxation.

To ensure a representative sample of potential and existing ambulatory EMR purchasers, quotas were used for various practice sizes:

- 60 physicians from small practices (1 to 10 physicians)
- 110 physicians from medium practices (11 to 50 physicians)
- 30 physicians from large practices (51 or more physicians)

Physician practice types surveyed included:

- 56 percent single-specialty groups
- 37 percent multi-specialty groups
- 7 percent solo practice

The survey excluded physicians who:

- Are not decision-makers for EMRs
- Are not interested in EMRs or would only implement if mandated by law
- Had implemented or purchased an EMR within the past three years

## Our Key Learnings from the Study

This document summarizes GE's key learnings about physician attitudes toward Stark Relaxation, based on data obtained from an independent study. The data indicates that Stark Relaxation has the potential to greatly accelerate EMR adoption by physicians. Although donation of EMR systems alleviates cost barriers, it raises other concerns that must be addressed by the donating entity.

[1] Fonkych K and Taylor R, "The State and Pattern of Health Information Technology Adoption," RAND 2005
[2] Health Information Technology in the United States: The Information Base for Progress, http://www.hhs.gov/healthit/ahic/materials/meeting10/ehr/2006_rpt_HIT_US.pdf
[3] *See, e.g.*, Medical Records Institute's Eighth Annual Survey of Electronic Health Trends and Usage for 2006, http://www.medrecinst.com/PDFs /EHRSurvey_2006.pdf.
[4] http://www.cms.hhs.gov/PhysicianSelfReferral/Downloads/CMS-1303-F.pdf

Medical Marketing Research, Inc., "Stark Legislation Relaxation," October 2006.[5]



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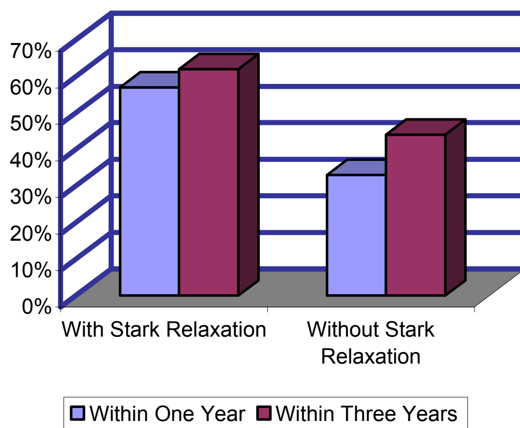
## 1 Stark Relaxation will greatly accelerate acquisition of EMR systems by physicians, and could as much as double the number of physician practices that are willing to acquire or upgrade an EMR system within the next year.

Most physicians recognize that incorporating an EMR into their practice is inevitable, but many are not in a hurry to take that step. Without financial support, only one-third of physicians report being likely to acquire or upgrade an EMR over the next 12 months. Over three years that proportion rises to 44 percent.

**Figure 1: Likelihood of EMR Adoption**




With Stark Relaxation and the opportunity for EMR donations, the proportion of physician practices likely to acquire or upgrade a new system in the next 12 months almost doubles to 57 percent, and, further increases to 62 percent in the next three years (Figure 1). Thus, in addition to increasing overall adoption of EMRs, Stark Relaxation could also drive acquisition over a much shorter timeframe than would otherwise normally occur.

The impact of Stark Relaxation will depend not only on physician behavior but also on the willingness of hospitals and other potential donors to materially subsidize EMR acquisition. Such behavior will vary with market characteristics and hospital strategies, but there is evidence of substantial hospital interest in such donations.

Stark Relaxation could also result in a shift in the current EMR installed base. Fifty-five percent of physicians with an older EMR (more than three years old) indicated that under Stark Relaxation, they would be likely to replace or upgrade their EMR system. Replacement will enable these practices to take advantage of current standards, such as certified functionality by organizations like Certification Commission for Healthcare Information Technology (CCHIT).[6]

[6] Certification Commission for Healthcare Information Technology, www.cchit.org



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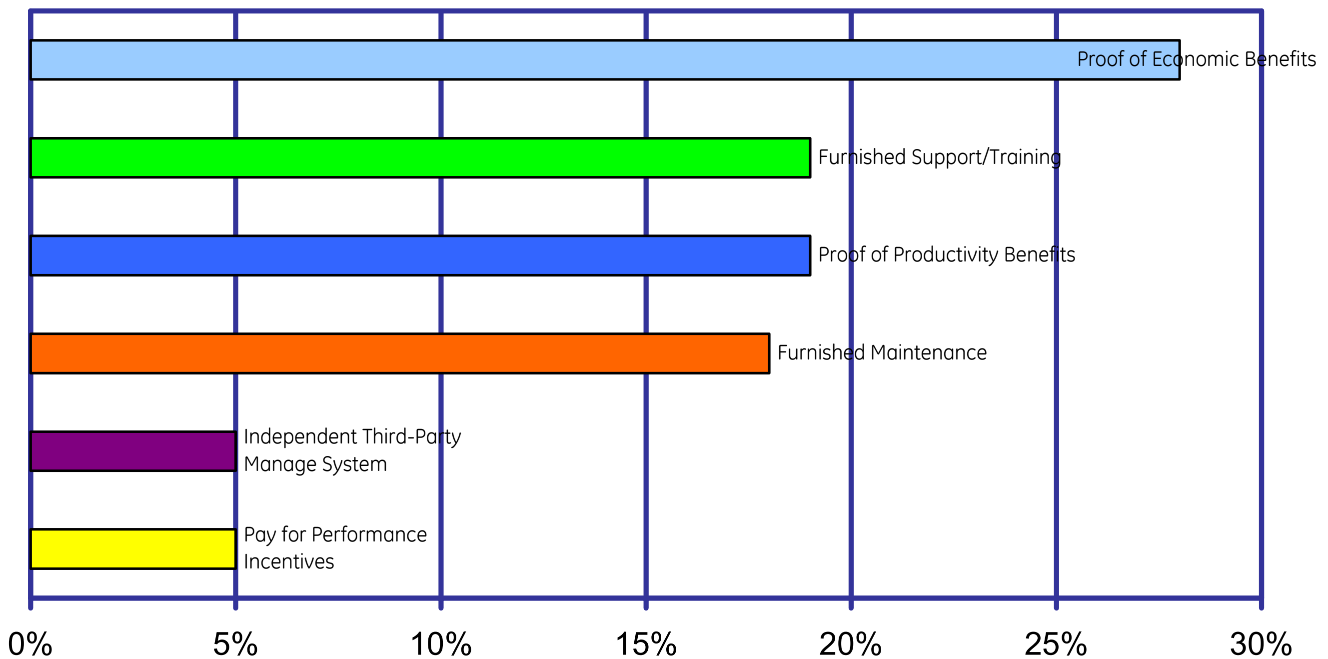
## 2 EMR donation does not completely remove acquisition cost as a barrier to adoption; it also raises other concerns.

Regardless of the opportunity to acquire or upgrade an EMR system for a fraction of the actual cost, physicians continue to cite acquisition cost as their highest concern. Nonetheless, physicians' expectations that the donating entity will subsidize about half the cost of EMR acquisition substantially increases their likelihood of acquiring an EMR.

Even with the prospect of donation, however, physicians continue to have concerns about technical support, maintenance costs, and training. Interoperability with the donor or other EMR systems is also a major concern. Donating entities should take these issues into account when designing a donation program.

Physicians considering taking advantage of EMR donation will be primarily influenced by proof of the system's economic benefit (Figure 2). Those EMRs that offer deep clinical content, flexible workflow, and a solid physician user base are likely to be more widely accepted. Additionally, physicians will be looking for systems that demonstrate a commitment to the needs of community physicians.

**Figure 2: Factors Influencing EMR Adoption**




It is notable that the anticipated 50 percent subsidy by physician practices is less than the 85 percent permitted under Stark Relaxation. This difference should give donating entities leeway in designing programs that accommodate physician concerns about acquisition, implementation, and support costs.



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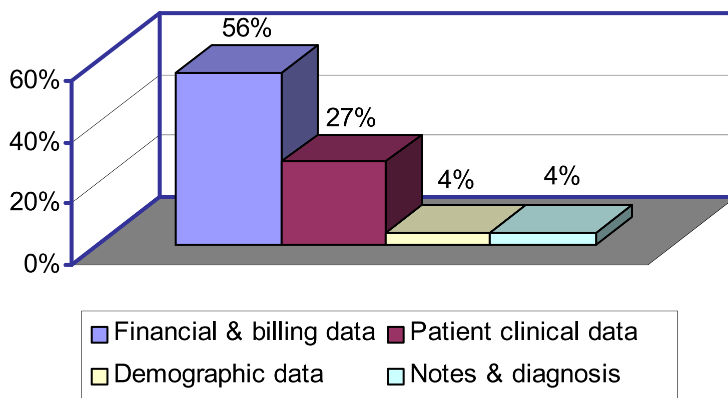
## 3 When given a choice, physicians prefer hospitals as the entity donating EMRs. Physicians are concerned, however, about how this model affects access to data.

Physicians greatly prefer to receive an EMR donation from a local hospital or integrated delivery network, rather than from an insurance company, regional health information organization (RHIO), EMR vendor, or pharmaceutical company. Most physicians are also willing to have the EMR hosted on a hospital's server. Since the new regulations allow for donation of software but not hardware, such software hosting is likely to be an attractive donation model.

**Figure 3: Concerns about EMR Software Hosting**




EMR hosting, however, raises serious concerns among physicians about their relationship with the donating entity and its access to their data. The need to share data is a deterrent to accepting an EMR donation from a hospital. In particular, the majority of physicians are unwilling to share financial data with a hospital. About one fourth of physicians indicated that they are also unwilling to share clinical data (Figure 3).

Thus, there will be a substantial advantage for hospitals offering independent EMR systems that do not intermingle or combine data with the hospital's inpatient systems. Also, physicians are likely to prefer EMR systems that have separate databases for clinical and financial data.

Physicians expressed concern that the hospital privacy and security policies will apply to them as well, with regards to affecting data access. The more integrated the donated EMR is with the hospital's IT infrastructure, the more likely the practice will be required to follow the donating entity's security/privacy policies, which may not fit well with the circumstances of individual medical practices.

Even with enhanced interoperability and access to data, the prevalence of this concern indicates an advantage for EMRs that focus on the needs of community physicians rather than on hospitals or very large medical groups. Physicians expect access to their own data even if they no longer have access to a hospital-donated EMR.

Physicians are also concerned about their ability to retain and use their data should their relationship with the donating entity change. This issue is consistent with physicians' stated concerns about data sharing and may be alleviated by vendors' growing efforts to incorporate standards-based interoperability into their systems.



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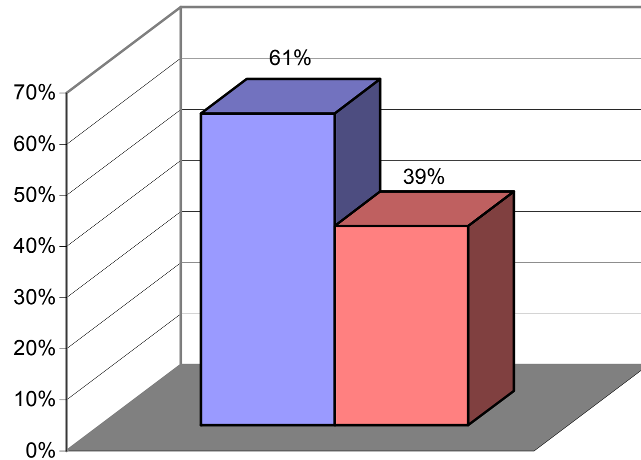
## 4 Physicians prefer to implement an integrated e-prescribing/EMR system, rather than taking an incremental approach of acquiring only an e-prescribing system first.

Sixty-one percent of physicians do not see e-prescribing as a viable "first step" toward implementing an EMR system (Figure 4).

To reduce the disruption caused by implementing new workflows, physicians would prefer a single implementation of an integrated EMR system that includes e-prescribing rather than implementing an e-prescribing system separately.

**Figure 4: Adoption Preference of EMR & e-Prescribing**



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