

Health IT Investments Will Top Industry Concerns in 2011

By Rebecca Adams, CQ HealthBeat Associate Editor

An explosion of health information technology» investments driven by three government policies will be the most significant issue for the health care industry in 2011, according to an analysis by the Health Research Institute of PricewaterhouseCoopers LLP (PwC).

Hospitals, physicians and other providers are likely to establish or expand their health IT systems because of the three Department of Health and Human Services (HHS) policies. The most important is a Medicare and Medicaid bonus payment system in 2011 for providers who upgrade electronic health records and other health IT systems. Medical providers can get higher Medicare or Medicaid rates if they meet criteria spelled out in regulations published in July. (See [related story](#), CQ HealthBeat, July 13, 2010)

In October, the HHS Office of the National Coordinator for «Health Information Technology took a step in assisting providers who want to update their systems when it published a list of technology products that it certified as eligible for the Medicare and Medicaid bonuses. (See [related story](#), CQ HealthBeat, Oct. 8, 2010)

Health insurers and providers also will be preparing for a new coding system required by federal regulations that will take effect

starting in 2012. The new coding system, known as ICD-10, will add five times as many diagnosis and inpatient codes as in the current system. Converting to a new system will require more than 1,300 modifications that must be made by January 2012, according to the Health Research Institute report.

The Food and Drug Administration will add to the momentum for health IT investments. The agency will probably finalize rules for the reporting of deaths and injuries caused by medical devices in 2011. The rules are expected to encourage manufacturers and healthcare facilities to use a federal electronic portal instead of paper to file reports of adverse events.

More than \$88.6 billion was spent by providers in 2010 on developing and implementing electronic health records and other health IT initiatives, the report said. Next year, industry analysts predict that health IT and consulting vendors will see a 10 percent to 20 percent rise in revenues.

The increase in health IT expenses could lead to an increase in mergers and acquisitions, according to the report. Facilities that are considering a merger or acquisition will have more reason to pursue one because of higher health IT costs.

Other major issues for the industry in 2011 include:

- Medical loss ratio and health exchange requirements for insurers. The health care law requires health plans to spend 80 percent to 85 percent of premiums on benefits or give customers a rebate. States also are expected to begin work on insurance exchanges that the law requires to open in 2014. Both issues will require major changes to insurers' business activities in 2011.
- Accountable care organizations (ACOs). Medical providers will start preparing to join networks joining hospitals, physicians and other providers that are designed to improve the efficiency and

effectiveness of medical care. Providers would be able to share in any savings they produce through increased coordination.

- Mergers and acquisitions. Analysts at PwC predict a continued increase in mergers and acquisitions, particularly in midmarket transactions valued at \$100 million to \$500 million.

- Mobile health care applications. Health care organizations, including drug companies, are seeking to increase patients' interest in their products and influence medical outcomes through digital and mobile phone applications or ads.

- [PricewaterhouseCoopers report](#)