

## FREQUENTLY ASKED QUESTIONS ON HITECH HOSPITAL INCENTIVES UNDER MEDICARE

### Hospital Medicare Payment Incentives under the HITECH Act

#### **How do hospitals qualify for incentives as a “meaningful user” of an EHR?**

Hospitals applying for incentives must demonstrate that they are “meaningful users” of certified EHR technology.

There are three base requirements for “meaningful use” identified in the new law, including:

- Use of certified or qualified EHR technology.
- Electronic exchange of health information
- Use of EHR in reporting on clinical and other quality measures

Additional details are expected on the specifics of the definition of “meaningful use”.

#### **How will hospitals be able to prove that they are “meaningful users”?**

Demonstrations of meaningful use may include: 1) attestation, 2) submission of claims with appropriate coding, 3) a survey response, 4) reporting of clinical quality data, and 5) other means to be specified. Further details are expected.

#### **To get reimbursed, do hospitals have to demonstrate the cost of the EHR they chose to implement?**

The cost of the system is not part of the calculation, the incentive payments are based on achieving “meaningful use”.

#### **How are incentive payments for hospitals determined?**

Incentive payments for hospitals are based on a formula which includes an initial amount and a per discharge amount for all discharges between the 1,150<sup>th</sup> and 23,000<sup>th</sup> factored by the Medicare share and a transition factor.

Base Amount	+	Discharge-related payments	x	Medicare share	x	Transition factor
(((\$2 Million	+	(\$200 x 1,150-23,000 <sup>th</sup> discharges))	x	<i>*See below</i>	x	Year 1 (2011-13): 1.0 Year 2 (2014): .75 Year 3 (2015): .5 Year 4 (2016): .25

#### **\*Medicare share**

$\frac{\text{Part A Inpatient bed days} + \text{Part C Inpatient bed days}}{\text{Est. total Inpatient bed days}} \times \frac{\text{Est. total charges less charity care}}{\text{Estimated total charges}}$
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#### **Are Critical Access Hospitals eligible for Medicare incentives under the HITECH Act?**

Critical Access Hospitals are eligible for enhanced incentives under cost-based reimbursement. Meaningful EHR users may obtain reimbursement for the undepreciated value of EHR expenditures plus 20 percentage points, provided that the Medicare share does not exceed 100%.

Critical Access Hospitals can enhance bonus incentive value by reaching meaningful user designation as early as possible; those that are meaningful users by 2011 are eligible for 4 years of enhanced Medicare payments with immediate full depreciation of certified EHR costs, which includes undepreciated costs from previous years.

**What are the penalties for hospitals that fail to achieve “meaningful use”?**

***Prospective Payment System (PPS) Hospitals***

Beginning in FY2015, hospitals who are not meaningful EHR users will receive reductions to their otherwise applicable Market Basket Adjustment (MBA), as follows:

<b>Year</b>	<b>.75 MBA increase reduced by:</b>
2015	33 1/3 %
2016	66 2/3 %
2017 & beyond	100%

***Critical Access Hospitals (CAH)***

Critical Access Hospitals that are not meaningful EHR users by 2015 or subsequent years will receive reductions in their 101% of Medicare cost-based reimbursements as follows:

<b>Year</b>	<b>Cost-based reimbursement</b>
2009-2014	101%
2015	100.66%
2016	100.33%
2017 & beyond	100%

The Secretary may exempt eligible providers on a case-by-case basis (up to 5 years) if determined that compliance with the requirement would result in significant hardship.

**Can hospitals receive both Medicare and Medicaid incentive payments?**

Hospitals are eligible for payments under both Medicare and Medicaid; these payments will be coordinated and unduplicated. Further details are expected.