

*American Recovery and
Reinvestment Act*

**Critical Access Hospital
Health IT
Incentives and Penalties**

Medicare HIT Incentives

AGENDA

- **ARRA IT Background**
- **HIT PPS Incentive Formula and Schedule**
- **Medicare IT Incentives for CAHs**
- **Medicaid IT Incentives for CAHs**
- **Questions and Discussion**

ARRA IT Provisions

- **ARRA**
 - **Commitment to HIT**
 - **Coordination**
 - **ONC**
 - **Funding**
 - **Medicare**
 - **Medicaid**
 - **Loans and Grants**

Medicare HIT Incentives

Hospital Medicare Incentives in ARRA

Calculate base dollar amount	$(\$2 \text{ million} + (23,000 - 1,149) * 200)$ Example assuming 2,000 discharges: \$2 million + \$400,000 = \$2,400,000
Multiply by "Medicare Share"	$\text{Medicare inpatient days} / (\text{total inpatient days} * ((\text{gross revenue} - \text{charity}) / \text{gross revenue}))$
Calculate four payments	Payment Year 1: \$2,400,000 (100%) Payment Year 2: \$1,800,000 (75%) Payment Year 3: \$1,200,000 (50%) Payment Year 4: \$600,000 (25%) Total Payment: \$6,000,000
	Payments are made over 4 years.
Scale down phase	If 2014 is first year of meaningful use, only three payments starting at 75% level, etc.
Penalty phase	If not a meaningful user of EHR by 2015

Medicare Incentive Schedule

Year of Adoption	2011	2012	2013	2014	2015	2016	2017
Payment for adopting in FY 2011 or before	100%	75%	50%	25%			
If first adopting in FY 2012:		100%	75%	50%	25%		
If first adopting in FY 2013:			100%	75%	50%	25%	
If first adopting in FY 2014:				75%	50%	25%	
If first adopting in FY 2015:					50%	25%	
Penalties begin if not adopting by FY 2015: Three-quarters of the applicable market basket update is reduced by:					33.33%	66.66%	100%

Medicare HIT Incentives

- **ARRA creates a specific payment incentive for CAHs.**
- **This incentive builds off of the current cost-based payment system that pays CAHs 101 percent of their Medicare-allowed costs.**

Medicare HIT Incentives

- **Under the incentive, a CAH that is determined to be a meaningful user can fully depreciate certified EHR costs beginning in FY 2011.**
 - **The CAH will then get paid 101 percent of the Medicare share of these depreciation costs.**
- **Additional payments can be made to CAHs using this methodology from FYs 2011 through 2015 if a CAH incurs additional EHR charges**
 - **However, a CAH can only receive additional payments for up to four years.**

Medicare HIT Incentives

- **The method of determining the Medicare share for CAHs is modified for the purposes of HIT incentives.**
 - **First, for HIT costs, the Medicare share consists of total Medicare Part A and C inpatient days, divided by the product of total inpatient days and hospital charges excluding charity care divided by total charges.**

Medicare inpatient days

(total inpatient days * ((total charges - charity care charges) / total charges))

- **Second, this Medicare share is increased by 20 percentage points (not to exceed 100 percent).**

Medicare HIT Incentives

- There are penalties for CAHs if they do not adopt an EHR
 - Unless significant hardship is demonstrated, CAHs that have not implemented EHRs by FY 2015 are subject to payment reductions
 - Payment will be reduced to 100.66 percent of cost in FY 2015; 100.33 percent of cost in FY 2016; and 100 percent of cost in FY 2017 and beyond.

Medicare HIT Incentives

- **We have many outstanding questions for CMS:**
 - Will all EHR costs (including purchase, upgrade, and maintenance costs) qualify for the accelerated depreciation and Medicare share bonus, or will only purchase costs qualify?
 - How will the Secretary require EHR costs to be reported on the cost report, and what implications will this have for the cost report in general?
 - How will the Secretary obtain data on CAHs' Medicare Part C days?
 - What criteria will the Secretary establish for CAHs to demonstrate significant hardship?

Medicare HIT Incentives

- **We also have other questions that will apply to all hospitals, including CAHs.**
 - What is the definition of inpatient bed days? Will swing bed days qualify? Will Medicare secondary payer days qualify as Medicare Part A inpatient bed days?
 - Where will the Secretary obtain charity care charge data and how will the Secretary define charity care?

Medicaid HIT Incentives

Hospital Medicaid Incentives in ARRA

<p>Calculate base dollar amount (Uses Medicare formula)</p>	<p>$(\\$2 \text{ million} + (23,000 - 1,149) * 200)$</p> <p>Example assuming 2,000 discharges: \$2 million + \$400,000 = \$2,400,000</p>
<p>Multiply by “Medicaid Share”</p>	<p><i>Medicaid inpatient days / (total inpatient days * ((gross revenue – charity) / gross revenue))</i></p>
<p>Calculate four payments</p>	<p>Payment 1: \$2,400,000 Payment 2: \$1,800,000 Payment 3: \$1,200,000 Payment 4: \$600,000 Total Payment: \$6,000,000</p>
	<p>Payments are made over 3-6 years depending on the state Limits: No payment may exceed 50 percent of total in any year; no consecutive payments shall exceed 90 percent</p>

Medicare HIT Incentives

- **Medicare:**
 - **Depreciation**
 - **Payment for Medicare share of EHR**
 - **Penalties apply**
 - **Incentives start in FY 2011**
 - **Must first invest, become meaningful user**
 - **May get incentives over 4 more years**

Medicaid HIT Incentives

- **Medicaid**
 - Eligible if 10 percent Medicaid volume
 - First year: engage in efforts to adopt, implement or upgrade certified EHR
 - Must be “meaningful user” in year 2 and beyond
 - Payment calculated using Medicare formula
 - Paid according to state plan
 - Incentives may be available prior to FY 2011

Remaining Questions

- **The big question:**
 - What is meant by “Meaningful use?”
 - CMS, HHS, ONC working on definition
 - Single definition or tiers?
 - How high to set the bar...

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