



ARRA Incentives for Critical Access Hospitals

Beginning in 2011, the American Recovery and Reinvestment Act of 2009 Medicare will provide financial incentives over several years for Critical Access Hospitals that adopt “certified EHR technology for meaningful use”. Critical Access Hospitals will receive their incentive via the ability to expense the cost of an EHR, for cost reporting purposes, in a single year. Medicare offers incentive payments for a period of up to four (4) years. Eligible hospitals may receive incentive payments starting in 2011. If the first year that a hospital requests payment is after 2015, the hospital shall not receive any payments. In addition to incentives, Section 4102 also provides for the reduction in Medicare payments in the event the eligible hospital does not implement and use the EHR after 2015. Maximum payment from the incentives will be obtained from an early start towards the adoption of “certified EHR technology for meaningful use.”

How do I meet Medicare Eligibility requirements?

A hospital is eligible for incentive payments if it meets certain criteria. The definition of hospital does not include: rehabilitation hospitals, hospitals where the patients are predominantly under age eighteen (18), hospitals having average inpatient stays of greater than twenty-five (25) days or hospitals involved extensively in the treatment of or research on cancer.

If a hospital qualifies as an eligible hospital, the hospital can receive incentive payments for “meaningful use of certified EHR technology”. The Secretary of HHS (otherwise referred to as the Secretary) will develop rules by December 31, 2009 regarding the specifics for meeting the standards for certification. A hospital is considered eligible if it (1) uses the EHR technology in a meaningful manner during the twelve (12) month period specified by the Secretary, (2) the EHR technology is connected in a manner that provides, in accordance with standards applicable to the exchange, for the electronic exchange of health information to improve the quality of health care, such as promoting care coordination, and (3) the hospital uses the EHR to submit information on clinical quality measures and other measures selected by the Secretary.

The hospital will need to demonstrate the use of the EHR through means specified by the Secretary which could include (1) attestation, (2) submission of claims with appropriate coding, (3) survey response, (4) submission of information on clinical quality measures and other measures selected by the Secretary, and (5) other means specified by the Secretary.

How do I receive Medicare Incentive Payments?

If the hospital is a critical access hospital, the payment shall be made through a prompt interim payment after submission and review of such information (as specified by the Secretary) necessary to make the payment. The payment may be a single consolidated payment or in the form of periodic installments.



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How much are the Medicare Incentive Payments?

Critical Access Hospitals will receive their incentive via the ability to expense the cost of an EHR, for cost reporting purposes, in a single year. When a Critical Access Hospital becomes a meaningful user, this provision removes any requirement to depreciate the cost for cost reporting purposes. Incentives for critical access hospitals are for costs for the purchase of certified EHR technology to which depreciation (excluding interest) would apply. These costs can be depreciated in a single year and not depreciated costs over a number of years and shall include as costs with respect to cost reporting periods beginning during a payment year, costs from previous costs reporting periods to the extent they have not been fully depreciated as of the period involved.

The payment formula for Critical Access Hospitals is the same formula that is calculated for Acute Care Hospitals, with the exception of how the Medicare Share is calculated. Please see the detailed formula in the accompanying “Incentives for Critical Access Hospitals” document. For Critical Access Hospitals, the portion of the EHR cost that may be expensed is calculated utilizing the Medicare Share calculation plus an additional 20%, provided the total cannot exceed 100% of costs.

Are there Limitations on the Medicare Incentive Payments?

Additional payments can be made to Critical Access Hospitals through fiscal year 2015 using this formula if additional EHR costs occur. In no case may payment be made in respect to the cost reporting period beginning during a payment year after 2015 and in no case may a critical access hospital receive payment with respect to more than four (4) consecutive years.

Are there Medicare Disincentives for not using an EHR?

The Medicare Disincentives are based upon the current cost-based payment system that pays Critical Access Hospitals 101% of their Medicare allowed costs. Critical Access Hospitals that do not become meaningful users of certified EHR technology before or after 2015 are subject to payment reductions to 100.66% in 2015; 100.33% in 2016; and 100% in 2017 and beyond.

The Secretary may, on a case-by-case basis, exempt a hospital from the requirement to be a meaningful EHR user during the fiscal year if it would result in significant hardship. This is subject to annual renewal. An example is a hospital in a rural area without sufficient internet access. In no case may a hospital be granted an exemption for more than 5 years.



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Can I apply for Medicaid Incentives?

Medicaid incentive payments are for children's hospitals and acute care hospitals that have at least ten percent (10%) of their volume attributable to Medicaid patients. There is no specific incentive for Critical Access Hospitals.