

Hospital Medicare Payment Incentives under the HITECH Act

The Health Information Technology for Economic and Clinical Health Act (HITECH Act) under Title XIII of the American Recovery and Reinvestment Act of 2009 (ARRA), provides for incentives for the adoption and meaningful use of electronic health records (EHR) technology beginning in 2011 and ending in 2015¹. Thereafter, the law begins to impose penalties for those providers that have not reached meaningful user status.

Certified EHR technology

Certified EHR technology is defined as a qualified electronic health record that is certified as meeting the standards for hospital settings as adopted by the Office of the National Coordinator for Health Information Technology (ONCHIT). Products certified by the Certification Commission for Health Information Technology (CCHIT) are likely to meet this definition.

Meaningful EHR user

Hospitals applying for incentives must demonstrate that they are meaningful users of certified EHR technology. This includes use of a certified EHR product, ability to electronically exchange health information to improve quality of care, and submission of data to HHS on clinical quality measures. 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.

Incentive payments

Incentive payments for hospitals are based on a formula which includes an initial amount and a per discharge amount for all discharges between the 1,150th and 23,000th 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 th discharges))	x	* See below	x	Year 1 (2011-13): 1.0 Year 2 (2014): .75 Year 3 (2015): .5 Year 4 (2016): .25

*Medicare share

$$\frac{\text{Part A Inpatient bed days} + \text{Part C Inpatient bed days}}{\text{Est. total Inpatient bed days}} \times \frac{\text{Est. total charges less charity care}}{\text{Estimated total charges}}$$

¹ HRI, Div. B, Title IV, Subtitle A, Sec4102

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Critical Access Hospitals

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, providing 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.

Penalties for failure to achieve meaningful use

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:

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

Critical Access Hospitals

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:

Year	Cost-based reimbursement
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.

Coordination with Medicaid incentive payment

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

For more information, visit: <http://www.health.state.mn.us/e-health/hitech.html>