

# Financial Incentives for Adoption of Electronic Health Records - Medicare Fee for Service Payments for Critical Access Hospitals

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On January 13, 2010, the United States Department of Health and Human Services issued proposed regulations that provide incentive payments from the Medicare Fee for Service Program (FFS) to Critical Access Hospitals (CAH) for adoption and meaningful use of Certified Electronic Health Record (EHR) technology. Because these regulations are "proposed," they may change. However, since the regulations implement a statutory mandate, it is not expected that the final regulation for Medicare FFS incentive payments to CAHs will be significantly different from the proposed regulations.

A CAH that is a meaningful user of Certified EHR technology can receive a Medicare FFS incentive payment for its reasonable costs incurred for the purchase of Certified EHR technology. "Reasonable costs" means the reasonable acquisition costs incurred for the purchase of depreciable assets such as computers and associated hardware and software necessary to administer Certified EHR technology. Reasonable costs include costs incurred for the purchase of Certified EHR technology during the cost reporting period that begins in a payment year and any reasonable cost incurred for the purchase of Certified EHR technology in cost reporting periods beginning in years prior to the payment year which have not been fully depreciated.

The Medicare FFS incentive payment that can be received by a CAH is an amount equal to the product of the CAH's reasonable costs incurred in the purchase of Certified EHR technology and its Medicare share percentage. The Medicare share percentage is the lesser of 100 percent or the Medicare share fraction and 20 percentage points. The amount of the incentive payment is paid through a prompt interim payment. Incentive payments will be for a cost reporting period that begins during a payment year after fiscal year 2010 but before fiscal year 2016. Incentive payments will continue for no more than four consecutive payment years and will not be made for a cost reporting period beginning during a payment year after 2015.

For cost reporting periods beginning in fiscal year 2015, if a CAH is not a meaningful user of Certified EHR technology, reasonable cost payments to the CAH in fiscal year 2015 and subsequent years will be reduced.

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