Table 1

Medicare Incentive Payments for Meaningful Use of Certified EHRs by Eligible Professionals

Adoption Year	First Payment Year Amount and Subsequent Payment Amounts in Following Years (in thousands of dollars)	Reduction in Fee Schedule for Nonadoption/Nonuse
2011	$18, $12, $8, $4, $2	$0
2012	$18, $12, $8, $4, $2	$0
2013	$15, $12, $8, $4	$0
2014	$12, $8, $4	$0
2015	$0	–1% of Medicare fee schedule
2016	$0	–2% of Medicare fee schedule
2017 and following	$0	–3% of Medicare fee schedule
Incentive: Eligible providers may receive up to 75% of allowable Medicare Part B charges, to a maximum of $18,000 over a five-year period, ending in 2016. • Physicians practicing in rural health professional shortage areas are eligible to receive a 10% increase on the incentive payment amounts described above. • For 2018 and each subsequent year, if the proportion of eligible professionals who are meaningful EHR users is less than 75%, the fee schedule will be lowered by 1% from the applicable percent in the preceding year, up to 5%. • Eligible acute care and critical access hospitals have a similar incentive plan beginning in 2011 and phasing down over four years, available to new adopters only through 2015. Penalties for nonadoption begin in 2016. The incentive payment is calculated based on the product of (1) an initial amount of $2 million plus an amount based on the number of discharges for each eligible hospital; (2) an adjustment variable reflecting the proportion of the hospital's inpatient-bed days attributable to Medicare beneficiaries and an adjustment for charity and uncompensated care; and (3) a transition factor that phases down the incentive payments by 25% per year over the four-year period (i.e., 100% for the first payment year, 75% for the second payment year, 50% for the third payment year, 25% for the fourth payment year, and zero thereafter). If hospitals are not meaningful users of certified EHR technology by FY2015, their market basket update to the inpatient prospective payment system (IPPS) payment rate will be reduced by 75% to 100%. • Qualifying critical access hospitals can apply for cost-based reimbursement for EHR technology capped at 101% of reasonable costs. In addition, 20 percentage points are added to the Medicare share portion of the incentive formula, provided that the Medicare share calculation does not exceed 100%. Instead of the annual or periodic payments in place for other hospitals, critical access hospitals may expense the costs in a single payment year. These hospitals can continue to receive cost-plus reimbursement for remaining costs, such as ongoing maintenance of the EHR systems.		
Eligible physicians: Non-hospital-based physicians.[a] Medicare Advantage–affiliated		

professionals are eligible if affiliated with organizations that furnish at least 80% of their services to MA enrollees; and furnish, on average, at least 20 hours per week of patient care services.

- Physicians cannot take advantage of the incentive payment programs under both the Medicare and Medicaid programs.

Sources: American Medical Association at http://www.ama-assn.org/ama1/pub/upload/mm/399/arra-hit-provisions.pdf; CMS; ARRA Title IV Subtitle B § 4102 (a) (adding new section 1886 (n)(2) to the Social Security Act).

[a]On April 15, 2010, President Obama signed the Continuing Extension Act of 2010, Public Law 111-157, into law. The act clarifies that the term *hospital-based eligible professional* (who are ineligible for incentive payments under HITECH) includes only physicians who primarily work in inpatient and emergency room settings.