

Financial Incentives for Adoption of Electronic Health Records: Medicaid Incentive Payments for Hospitals

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On January 13, 2010, the United States Department of Health and Human Services (HHS) issued proposed regulations which authorize states, at their option, to provide for incentive payments to providers for adopting, implementing or upgrading Certified Electronic Health Record (EHR) technology or for meaningful use of Certified EHR technology. Whether these incentive payments are available will depend upon whether a state chooses to provide the incentive payments through the state's Medicaid program and any such incentives will be subject to yet-to-be-developed state regulations.

Acute care hospitals and children's hospitals are eligible for Medicaid EHR incentive payments. An acute care hospital is a health care facility where the average length of patient stay is 25 days or fewer and that has a CMS certification number that has the last four digits in the series 0001-0879. In addition, an acute care hospital must have at least a 10 percent Medicaid patient volume for each year in which the hospital seeks a Medicaid EHR incentive payment.

A children's hospital is a separate certified children's hospital, either freestanding or hospital-within-hospital, that has a CMS certification number that has the last four digits in the series 3300-3399 and predominantly treats individuals under 21 years of age.

States must make Medicaid incentive payments over a minimum of 3 years and a maximum of 6 years. The last year that a hospital may begin receiving Medicaid incentive payments is 2016.

The Medicaid incentive payment for each payment year is the product of an initial amount multiplied by the Medicaid share and an applicable transition factor. The initial amount is \$2,000,000 plus:

1. For the first through 1,149th discharge, \$0;
2. For the 1,150th through 23,000th discharge, \$200 per discharge; and
3. For any discharge greater than 23,000, \$0.

States are obligated to obtain auditable data to determine Medicaid

incentive payments.

Hospitals can receive Medicaid incentive payments in the first year if the hospital adopts, implements or upgrades Certified EHR technology in the first year. The Hospital must demonstrate meaningful use of Certified EHR technology in subsequent years. Hospitals can also participate in both the Medicaid and Medicare EHR incentive program.

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