

Financial Incentives for Adoption of Electronic Health Records: Incentive Payments for Medicare Advantage Organizations - Eligible Hospitals

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On January 13, 2010, the United States Department of Health and Human Services (HHS) issued proposed regulations that provide for incentive payments to qualifying Medicare Advantage (MA) organizations for certain of their hospitals that are meaningful users 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 incentive payments for MA organizations will be significantly different from the proposed regulations.

To be an eligible hospital, a hospital must be a "subsection (d) hospital" as that term is defined in the Social Security Act. A subsection (d) hospital is a hospital located in one of the fifty states or the District of Columbia. The term does not include a hospital located in U.S. territories or in Puerto Rico. It also does not include hospitals and hospital units excluded from participation in the inpatient prospective payment system (IPPS) such as psychiatric, rehabilitation, long term care, children's and cancer hospitals.

In addition, to be eligible a hospital must be under common corporate governance with the MA organization and that, of the beneficiaries it serves, more than two-thirds are Medicare individuals enrolled under MA plans, and the hospital must be a meaningful user of Certified EHR technology. If at least one-third of the hospital's Medicare patients are covered under Part A rather than Part C, the hospital may only receive incentive payments under the Medicare fee for service (FFS) program.

Total payments to MA organizations for eligible hospitals will be equivalent in amount to the incentive payments to a hospital under the Medicare FFS program. Therefore, MA organizations are required to receive incentive payments for affiliated hospitals under the Medicare FFS program rather than through the MA EHR incentive program, to the extent data is available.

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