



Summary of HIT Physician Incentives and Reductions in American Recovery and Reinvestment Act (ARRA) of 2009

The American Recovery and Reinvestment Act of 2009 (ARRA; popularly known as the “Economic Recovery Package”) provides separate Medicare funding to provide physicians and hospitals with incentives for the adoption and maintenance of electronic health records (EHRs). The law also provides incentives for qualifying Medicare Advantage organizations. Medicaid incentives are provided for physicians and other providers and hospitals that meet the volume requirements for treating Medicaid patients. **Physicians and organizations that qualify for more than one incentive are eligible to receive only one incentive. CMS has announced that payments to physicians will begin no sooner than January 2011.** The law also requires reductions in payment for providers and hospitals that do not become meaningful EHR users by specified dates. Below is a summary that outlines the Medicare and Medicaid incentive payments and reductions for physicians.

The law provides broad language with respect to what constitutes a certified EHR and the criteria that demonstrate “meaningful use.” The law requires a “meaningful EHR user” to:

- Use certified EHR technology, including e-prescribing
- Engage in the exchange of health information to improve quality and promoting care coordination
- Report on measures using EHR

Expect more robust definitions to be provided through the regulatory process.

The HHS Secretary can use alternative means to determine how group practices will meet the requirements.

Names of meaningful EHR users—which can include group practices receiving incentive payments--will be posted on the internet by HHS and accessible by the public.

Medicare Incentives/Reductions for Physicians

Physicians deemed “meaningful users” of “certified EHRs” will receive 75 percent of the estimated allowable charges for all covered professional services during the year, up to the maximum levels established in the following table:

Year of Adoption	YEAR 1 Incentive	YEAR 2 Incentive	YEAR 3 Incentive	YEAR 4 Incentive	YEAR 5 Incentive	TOTAL INCENTIVE (per physician)	TOTAL % Reduction in fee schedule if not meaningful EHR user
2011	\$18,000	\$12,000	\$8,000	\$4,000	\$2,000	\$44,000	N/A
2012	\$18,000	\$12,000	\$8,000	\$4,000	\$2,000	\$44,000	N/A
2013	\$15,000	\$12,000	\$8,000	\$4,000	\$0	\$39,000	N/A
2014	\$15,000	\$12,000	\$8,000	\$0	\$0	\$35,000	N/A
2015	\$0	\$0	\$0	\$0	\$0	\$0	1%
2016	\$0	\$0	\$0	\$0	\$0	\$0	2%
2017	\$0	\$0	\$0	\$0	\$0	\$0	3%
2018 and beyond	If 75% or fewer of eligible professionals are not meaningful EHR users, a 1% decrease in fee schedule each year, but not to exceed a total reduction of 5%.						

Other Facts:

- Eligible professionals in a Health Professional Shortage Area (HPSA) are eligible for a 10% increase in total incentive payments
- The Secretary may exempt eligible professionals (on a case by case basis) who may have a unique hardship to becoming a meaningful EHR user. The exemption is not to exceed 5 years.
- Hospital-based professionals (e.g., pathologist, anesthesiologist, emergency physician) who provide substantially all services furnished in a hospital setting (inpatient or outpatient) AND use facilities and equipment of hospital, including qualified EHR are **not eligible** to receive the Medicare incentive payments. A determination of who is a hospital-based provider will depend on the site of service without regard to employment and billing arrangements. **Expect regulations to further define “hospital-based professionals.”**

Incentives for Medicaid Providers

Eligible professionals include non-hospital based physicians, nurse mid-wives, nurse practitioners and certain physician assistants with at least 30% of patient volume ascribed to Medicaid patients, and pediatricians who are not hospital-based and have at least 20% Medicaid volume. As with Medicare, hospital-based physicians are not eligible for Medicaid incentives.

In order to qualify for Medicaid payments, providers must waive their right to Medicare incentives.

Providers are eligible for up to \$63,750 in federal contributions over 5 years:

- Up to \$21,250 for adoption, implementation and upgrading of certified EHR for first year (average costs for the purchase and initial implementation of such technology)
- Up to \$8,500 for operation and maintenance for not more than 5 years, or after 2021 for a total of \$42,500 (average costs related to operation, maintenance, and use of such technology)

Exceptions:

- Non-hospital based pediatricians who have at least 20% Medicaid patients are eligible to receive up to \$42,500 over 6 years
- Practices predominantly in a Federally qualified health center or rural health clinic and has at least 30% of patient volume receiving Medicaid

DETAILS ABOUT HOW THE HIT INCENTIVES AND DISINCENTIVES WILL WORK WILL REQUIRE REGULATION. FOR INSTANCE, PROPOSED DEFINITIONS OF “CERTIFIED ELECTRONIC HEALTH RECORD,” “MEANINGFUL USER,” “HARDSHIP EXEMPTION” SHOULD BE ISSUED OVER THE NEXT SEVERAL MONTHS. THERE WILL BE AN OPPORTUNITY TO COMMENT AND TO MAKE A CASE FOR THE SPECIAL NEEDS OF FACULTY PRACTICE PLANS. THE AAMC WILL DISTRIBUTE INFORMATION AS IT BECOMES AVAILABLE.

IF YOU HAVE QUESTIONS, PLEASE CONTACT Ivy Baer (ibaer@aamc.org; 202-828-0499), Christiane Mitchell (cmitchell@aamc.org; 202-828-0461), or Will Dardani (wdardani@aamc.org, 202-828-0541).