



# Payment Adjustments & Hardship Exceptions for Eligible Hospitals Last Updated: December 2015



## Overview

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Congress mandated payment adjustments to be applied to Medicare Subsection (d) eligible hospitals, and critical access hospitals (CAHs) that are not meaningful users of Certified Electronic Health Record (EHR) Technology under the Medicare EHR Incentive Programs. For information about the CAH payment adjustments please see the CAH tipsheet. These payment adjustments will be applied beginning on October 1, 2014, for Medicare eligible hospitals. Medicaid eligible hospitals that can only participate in the Medicaid EHR Incentive Program and do not bill Medicare are not subject to these payment adjustments.

Eligible hospitals that can participate in either the Medicare or Medicaid EHR Incentive Programs will be subject to the payment adjustments unless they are meaningful users under one of the EHR Incentive Programs in the time periods specified below.

## Payment Adjustment for Medicare Subsection (d) Eligible Hospitals

Medicare Subsection (d) eligible hospitals that are not meaningful users will be subject to a payment adjustment beginning on October 1, 2014. This payment adjustment is applicable to the percentage increase to the Inpatient Prospective Payment System (IPPS) payment rate for those eligible hospitals that are not meaningful EHR users. These hospitals will receive a reduced update to the IPPS standardized amount. Eligible hospitals receive the payment adjustment amount that is tied to the year that they did not demonstrate meaningful use (e.g., An eligible hospital who does not meet meaningful use for the first time in 2018 will receive a 75% reduced update to the IPPS standardized increased amount). The table below illustrates the application of the reduced update to the IPPS standardized amount.

	2015	2016	2017	2018	2019	2020+
% Decrease	25%	50%	75%	75%	75%	75%

For example if the increase to IPPS for 2015 was 2%, then an Medicare subsection (d) eligible hospital that is not a meaningful user would only receive a 1.5% increase in 2015.

Medicare Subsection (d) eligible hospitals must demonstrate meaningful use every year to avoid payment adjustments in subsequent years. The table below illustrates the timeline to avoid payment adjustments for Medicare Subsection (d) eligible hospitals.

Payment Adjustment Year	2015	2016	2017	2018	2019	2020

EHR Reporting Period	2013	2014	2015	2016	2017	2019
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Medicare Subsection (d) eligible hospitals that first demonstrate meaningful use in fiscal year 2014 must demonstrate meaningful use for a 90-day reporting period in 2014 to avoid payment adjustments in 2015. This reporting period must occur in the first 9 months of fiscal year 2014, and Medicare Subsection (d) eligible hospitals must attest to meaningful use no later than July 1, 2014, in order to avoid the payment adjustments. Medicare Subsection (d) eligible hospitals must continue to demonstrate meaningful use every year to avoid payment adjustments in subsequent years. The table below illustrates the timeline to avoid payment adjustments for Medicare Subsection (d) eligible hospitals that first demonstrate meaningful use in 2014.

Payment Adjustment Year	2015	2016	2017	2018	2019	2020
90 day EHR Reporting Period	2014*	2014				
Full Year EHR Reporting Period			2015	2016	2017	2019

\* Medicare Subsection (d) eligible hospitals must attest to meaningful use no later than July 1, 2014.

## Hardship Exceptions for Medicare Eligible Hospitals

Eligible hospitals may apply for hardship exceptions to avoid the payment adjustments described above. Hardship exceptions will be granted only under specific circumstances and only if CMS determines that providers have demonstrated that those circumstances pose a significant barrier to their achieving meaningful use. Information on how to apply for a hardship exception will be posted on the CMS EHR Incentive Programs website ([www.cms.gov/EHRIncentivePrograms](http://www.cms.gov/EHRIncentivePrograms)) in the future.

Medicare Subsection (d) eligible hospitals can apply for hardship exceptions in the following categories:

- **Infrastructure** — Eligible hospitals must demonstrate that they are in an area without sufficient internet access or face insurmountable barriers to obtaining infrastructure (e.g., lack of broadband).
- **New Eligible Hospitals** — Eligible hospitals with new CMS Certification Numbers (CCNs) that would not have had time to become meaningful users can apply for a limited exception to payment adjustments. The hardship exception is limited to one full-year cost reporting period.
- **Extreme and Uncontrollable Circumstances** — Examples may include a natural disaster or other unforeseeable barrier.
  - **EHR Vendor Issues - such as switching vendors or products**

## Frequently Asked Questions

**Does an eligible hospital have to achieve meaningful use each year to avoid the payment adjustments or can it avoid the payment adjustments by achieving meaningful use only once?**

Eligible Hospitals must demonstrate meaningful use every year according to the timelines detailed above in order to avoid Medicare payment adjustments. For example, eligible hospital that demonstrates meaningful use for the first time in 2013 will avoid the payment adjustment in 2015, but will need to demonstrate meaningful use again in 2014 in order to avoid the payment adjustment in 2016..

**How does a hospital demonstrate meaningful use in order to avoid a payment adjustment?**

An eligible hospital demonstrates meaningful use by successfully attesting through either the CMS Medicare EHR Incentive Programs Attestation System (<https://ehrincentives.cms.gov/>) or through its state's attestation system.