



# Payment Adjustments & Hardship Exceptions for Eligible Hospitals and CAHs

Last Updated: August 2014

## Overview

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Congress mandated payment adjustments to be applied to Medicare 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. These payment adjustments will be applied beginning on October 1, 2014, for Medicare eligible hospitals. Payment adjustments for CAHs will be applied beginning with the fiscal year 2015 cost reporting period. 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 and CAHs 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 that first demonstrated meaningful use in fiscal year 2011 or 2012 must demonstrate meaningful use for a full year in fiscal year 2013 to avoid payment adjustments in 2015. They 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 must demonstrate meaningful use for a full year in 2013.

<b>Payment Adjustment Year</b>	2015	2016	2017	2018	2019	2020
<b>Full Year EHR Reporting Period</b>	2013	2014	2015	2016	2017	2019

Medicare Subsection (d) eligible hospitals that first demonstrate meaningful use in fiscal year 2013 must demonstrate meaningful use for a 90-day reporting period in 2013 to avoid payment adjustments in 2015. They 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 EPs who demonstrate meaningful use for a 90-day reporting period in 2013.

<b>Payment Adjustment Year</b>	2015	2016	2017	2018	2019	2020
<b>90 day EHR Reporting Period</b>	2013					
<b>Full Year EHR Reporting Period</b>		2014	2015	2016	2017	2018

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.

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

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

## Payment Adjustment for Critical Access Hospitals

Critical Access Hospitals (CAHs) that are not meaningful users will be subject to a payment adjustment for fiscal year 2015. This payment adjustment is applicable to a CAH's Medicare reimbursement for inpatient services during the cost reporting period in which they failed to demonstrate meaningful use. If a CAH has not demonstrated meaningful use for an applicable reporting period, then for a cost reporting period that begins in FY 2015, its reimbursement would be reduced from 101 percent of its reasonable costs to 100.66 percent. For a cost reporting period beginning in FY 2016, its reimbursement would be reduced to 100.33 percent of its reasonable costs. For a cost reporting period beginning in FY 2017 and each subsequent FY, its reimbursement would be reduced to 100 percent of reasonable costs. The table below illustrates the application of the payment adjustments to CAHs that fail to demonstrate meaningful use.

	2015	2016	2017	2018	2019	2020+
% of reasonable costs	100.66%	100.33%	100%	100%	100%	100%

In order to avoid the payment adjustments, CAHs must demonstrate meaningful use within the full Federal fiscal year that is the same as the payment adjustment year. The adjustment would then apply based upon the cost reporting period that begins in the payment adjustment year (that is, fiscal year 2015 and thereafter). Thus, if a CAH is not a meaningful user for fiscal year 2015, and thereafter, then the adjustment would be applied to the CAH's reasonable costs incurred in a cost reporting period that begins in that affected fiscal year. The table below illustrates the timeline to avoid payment adjustments for CAHs that demonstrate meaningful use for the first time prior to fiscal year 2015.

Payment Adjustment Year	2015	2016	2017	2018	2019	2020
Full Year EHR Reporting Period	2015	2016	2017	2018	2019	2020

The table below illustrates the timeline to avoid payment adjustments for CAHs that demonstrate meaningful use for the first time in fiscal year 2015.

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

Note: CAHs are required to submit their attestations for meaningful use by November 30th of the following fiscal year. For example, if a CAH is attesting that it was a meaningful EHR user for fiscal year 2015, the attestation must be submitted no later than November 30, 2015 in order to avoid payment adjustments.

## Hardship Exceptions for Medicare Eligible Hospitals and CAHs

Eligible hospitals and CAHs 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.
- **Unforeseen Circumstances** — Examples may include a natural disaster or other unforeseeable barrier.
  - **2014 EHR Vendor Issues** — The hospital's EHR vendor was unable to obtain 2014 certification or the hospital was unable to implement meaningful use due to 2014 EHR certification delays.

Critical Access Hospitals (CAHs) can apply for hardship exceptions in the following categories:

- **Infrastructure** — CAHs 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 CAHs** — CAHs 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 after the CAH accepts its first patient.
- **Unforeseen Circumstances** — Examples may include a natural disaster or other unforeseeable barrier.

## Frequently Asked Questions

**Does a 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?**

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. Similarly, CAHs that demonstrate meaningful use in fiscal year 2015 will avoid the payment adjustment in 2015, but they also must demonstrate meaningful use in fiscal year 2016 to avoid the payment adjustment in 2016.

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

An eligible hospital or CAH 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.