

Critical Access Hospital Payment Adjustment and Hardship Exception Tipsheet

Last Updated: December 2015

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Congress mandated that Medicare critical access hospitals (CAHs) that are not meaningful users of Certified Electronic Health Record (EHR) Technology under the Medicare EHR Incentive Program receive negative payment adjustments.

CAHs that are able to participate in either the Medicare or Medicaid EHR Incentive Program will be subject to an adjustment to their Medicare reimbursement for inpatient services unless they meet meaningful use under one of the EHR Incentive Programs. CAHs must demonstrate meaningful use within the full calendar year (January 1 to December 31) to avoid the payment adjustment for that year.

How are Payment Adjustments Applied?

A CAH that does not successfully meet meaningful use for an EHR reporting period (a minimum of 90 continuous days from October 1, 2014 through December 31, 2015) will be subject to a payment adjustment for 2015. In subsequent years, the reporting period is the calendar year. The adjustment applies to the Medicare reimbursement for inpatient services during the cost reporting period in which the CAH failed to demonstrate meaningful use.

Each year the CAH fails to meet meaningful use for an EHR reporting period, the adjustment will be applied against their reimbursement for that year.

When do Payment Adjustments Begin?

Medicare payment adjustments for CAHs begin with the cost reporting period in FY 2015.

The timeline below shows when the payment adjustment is applied to avoid payment adjustments for CAHs that demonstrate meaningful use for the first time prior to 2015.

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

What are the Payment Adjustment Amounts for CAHs?

If a CAH does not demonstrate meaningful use for a reporting period in 2015, its reimbursement will be reduced from 101 percent of its reasonable costs to 100.66 percent. For a cost reporting period beginning in FY 2016, its reimbursement will be reduced to 100.33 percent of its



reasonable costs. For a cost reporting period beginning in FY 2017 and each subsequent fiscal year, its reimbursement will be reduced to 100 percent of reasonable costs. See the table below for an overview of reimbursement reductions:

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

Hardship Exceptions

There are several categories of hardship exceptions for CAHs:

- CAH is new in the payment adjustment year and has not previously operated with new CMS Certification Numbers (CCNs) are automatically granted a limited one-year hardship exception to payment adjustments.
- CAHs can also apply for a hardship exception for the following circumstances:
 - The CAH was located in an area without sufficient Internet access to comply with meaningful use objectives requiring Internet connectivity, and faced insurmountable barriers to obtaining such Internet connectivity.
 - **Extreme and Uncontrollable Circumstances** - If they encounter an unforeseeable barrier, such as a natural disaster (includes vendor issues).

Important to note:

- CAHs must apply for a hardship exception every year
- CAHs will only be granted a hardship exception for up to five years

The timeline below shows the reporting period, attestation deadline, and hardship exception deadline for CAHs that demonstrate meaningful use for the first time prior to calendar year 2015 to avoid a payment adjustment for the applicable fiscal year.

Payment Adjustment Fiscal Year	EHR Reporting Period	Attestation Deadline	Hardship Exception Application Deadline
FY 2015	October 1, 2014-December 31, 2015	February 29, 2016	November 30, 2015
FY 2016	January 1, 2016-December 31, 2016	February 28, 2017	November 30, 2016
FY 2017	January 1, 2016-December 31, 2017	February 28, 2018	November 30, 2017
FY 2018	January 1, 2017-December 31, 2018	February 28, 2019	November 30, 2018
FY 2019	January 1, 2018-December 31, 2019	February 29, 2020	November 30, 2019
FY 2020	January 1, 2019-December 31, 2020	February 28, 2021	November 30, 2020

Frequently Asked Questions

Does a CAH 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?

CAHs must demonstrate meaningful use every year according to the timelines detailed above in order to avoid Medicare payment adjustments. For example, CAHs that demonstrate meaningful use in 2015 will avoid the payment adjustment in 2015, but they also must demonstrate meaningful use in 2016 to avoid the payment adjustment in 2016.

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

A CAH demonstrates meaningful use by successfully attesting through either the CMS Attestation System (<https://ehrincentives.cms.gov/>) or through its state's attestation system.

Does a payment adjustment apply to CAHs participating in the Medicaid EHR Incentive Program?

No. Medicaid CAHs that can only participate in the Medicaid EHR Incentive Program and do not bill Medicare are not subject to these payment adjustments.