

# Critical Access Hospital Payment Adjustment and Hardship Exception Tipsheet

Last Updated: June 2017

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 beginning in 2015. Specifically, section 4102(b)(2) of the HITECH Act amended section 1814(l) of the Act to include an adjustment to a CAH's Medicare reimbursement for inpatient services if the CAH is not a meaningful EHR user for an EHR reporting period.

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.

## How are Payment Adjustments Applied?

A CAH that does not successfully meet meaningful use for an EHR reporting period will be subject to a payment adjustment.

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.

The EHR reporting period requirements can be found on the EHR Incentive Programs website under the Program Requirements webpages for each calendar year.

## When did Payment Adjustments Begin?

Medicare payment adjustments for CAHs began 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, its reimbursement will be reduced from 101 percent of its reasonable costs. The percentage increases each year and will be reduced to no less than 100 percent of its 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

A CAH may, on a case-by-case basis, be granted an exception from this adjustment if CMS or its Medicare contractor determines, on an annual basis, that a significant hardship exists.

A CAH does not need to submit an application for a hardship exception for the following:

New CAHs - If the facility is a CAH, as defined in the Stage 2 Final Rule 42 CFR Part 413 § 413.70(C), that is new in the payment adjustment year (2016) and has not previously operated, it will be granted a hardship exception and is automatically exempt from the payment adjustment. Note that CAHs are NOT considered NEW if any of the following circumstances apply:

- The CAH builds a new or replacement facility/facilities at the same or another location even if this is coincidental with a change of ownership, a change in management or a lease arrangement;
- A CAH closes and subsequently reopens; or
- A CAH that has been converted from an eligible hospital.

If any of the outlined circumstances listed apply, the CAH should consider applying for a hardship if it has not successfully demonstrated meaningful use for an EHR reporting period and if at least one of the hardship reasons indicated on the application was met.

There are several categories of hardship exceptions for CAHs:

CAHs can also apply for a hardship exception for the following circumstances:

- Insufficient Internet Connectivity - 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	March 11,2016	July 1, 2016
FY 2016	January 1, 2016-December 31, 2016	March 13, 2017	November 30, 2017,
FY 2017	January 1, 2017-December 31, 2017	February 28, 2018	November 30,2018
FY 2018	January 1, 2018-December 31, 2018	February 28, 2019	November 30, 2018
FY 2019	January 1, 2019-December 31, 2019	February 29, 2020	November 30, 2019
FY 2020	January 1, 2020-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 payments 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 2017 will avoid the payment adjustment in 2017, but they also must demonstrate meaningful use in 2018 to avoid the payment adjustment in 2018.

**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 do not bill Medicare are not subject to these payment adjustments.