Medicare or Medicaid?

Getting on the right path to federal EHR incentives

White paper

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Executive summary

In 2011, the U.S. government will begin paying out more than $36 billion in incentives to qualifying healthcare providers who implement or upgrade electronic health record (EHR) systems. There's still time to register for the program, but before you do, you must decide whether to participate as a Medicare or Medicaid provider. Each track has different incentive opportunities, eligibility criteria, qualifying requirements and program deadlines. If you are uncertain which is the right choice for your practice, this guide will help. It explains the differences between the two and provides a step-by-step guide for initiating participation. With this information, you can make a sound decision for your practice, enroll soon, and make the most of your transition to electronic recordkeeping with confidence.

Introduction

Two paths to EHR incentive payments

The EHR incentive program that is part of the American Recovery and Reinvestment Act of 2009 (ARRA) offers Medicare and Medicaid providers who invest in EHR technology the opportunity to receive a share of more than $36 billion in federal financial incentives. The requirements, procedures and deadlines associated with the program differ – slightly in some areas, and significantly in others – depending on whether the provider participates in the Medicare or Medicare EHR incentive program.

But what if you're a physician whose practice receives both Medicare *and* Medicaid payments? The ARRA legislation mandates that providers who are eligible for both types of payments cannot follow both paths at the same time.[1] Which one should you follow? How do you decide? The purpose of this paper is to explain in detail how the two paths to reimbursement differ – and, in the process, to help with decision-making for physicians who are uncertain about which track to take.

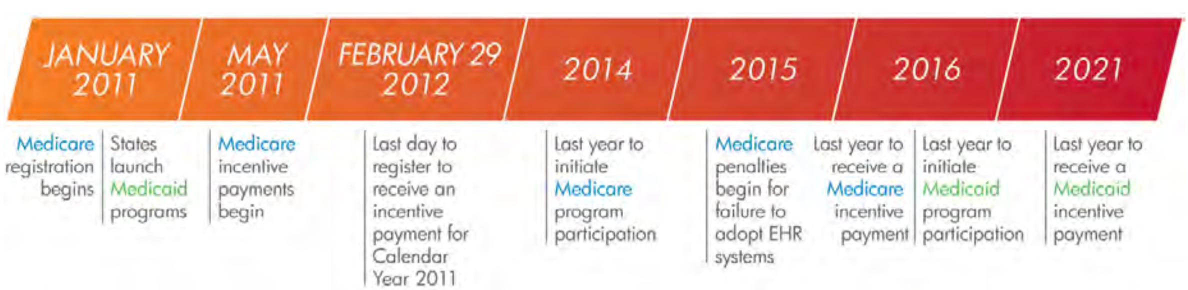
The EHR incentive program in brief

Through the Health Information Technology (HIT) provisions of ARRA, the U.S. government is offering significant financial incentives to help eligible Medicare and Medicaid providers upgrade to EHR systems for maintaining medical records. The exact dollar amount of incentives available to medical practices in particular varies depending on whether they are Medicare or Medicaid providers, as explained on p. 6. To qualify for the incentives, practices must fulfill specific criteria for eligibility, demonstrate "meaningful use" of EHR technology and meet participation deadlines established by the Centers for Medicare and Medicaid Services (CMS), which administers the program for the U.S. Department of Health and Human Services (HHS), as explained on p. 8.

Participation milestones for medical practices

There is some urgency associated with the EHR incentive program, particularly on the Medicare track --to realize the maximum incentive payment, a Medicare practice must register for the program by February 2012 and implement an EHR system by 2013. Payments to Medicare providers may begin as early as this year. Registration and implementation deadlines for the program's Medicaid track, which is administered by state Medicaid programs, will vary from state to state; however, the last year physicians may begin participating and be eligible for incentive payments is 2016.

Figure 1: Physician Incentive Program Milestones



Note that when it comes to acting in a timely manner, incentives are only part of the picture, at least for medical practices that receive Medicare dollars. As indicated in Figure 1, beginning in 2015, Medicare providers that do not adopt EHR systems at all risk being penalized by having their payments reduced. The reduction schedule begins with a 1% reduction in 2015 and increases by 1% each year thereafter. (There are no similar federally mandated penalties for Medicaid providers.)

Medicare and Medicaid participation: What's the difference?

Medicare and Medicaid participants in the EHR incentive program have different maximum incentive opportunities, eligibility criteria and requirements for demonstrating "meaningful use" of technology in order to qualify for payments. In addition, the Medicare track is administered federally, while the Medicaid track is administered on a state-by-state basis, which results in different participation deadlines. Figure 2 summarizes the major differences; each is described in detail starting on p. 6.

Figure 2: Major Differences Between Medicare and Medicaid Paths to EHR Incentives

	MEDICARE	MEDICAID
Incentive payments	• Up to $44,000 (or $48,400 for those participating in a Health Provider Shortage Area)	• Up to $63,750
Penalties for non-participation	• Fee schedule reduced by 1% in 2015, 2% in 2016 and 3% in 2017	• None
Opportunity availability	• Available at time of official program launch	• Coincides with state launch dates, which vary from state to state
Program eligibility	• Open to non-hospital-based doctors, dentists, podiatrists, optometrists and some chiropractors	• Open to physicians and certain other providers who 1) meet stated Medicaid patient volume minimums and/or 2) furnish services in a federally qualified heath center or rural health center and meet a minimum patient volume attributable to needy individuals
Meaningful use requirements	• Requirement to demonstrate meaningful use of EHR technology each year	• Requirement to demonstrate meaningful use of EHR technology each year after the first year
Participation deadlines	• Registration required by 2014 (or by 2012 to receive maximum incentive payment)	• Registration required by 2016

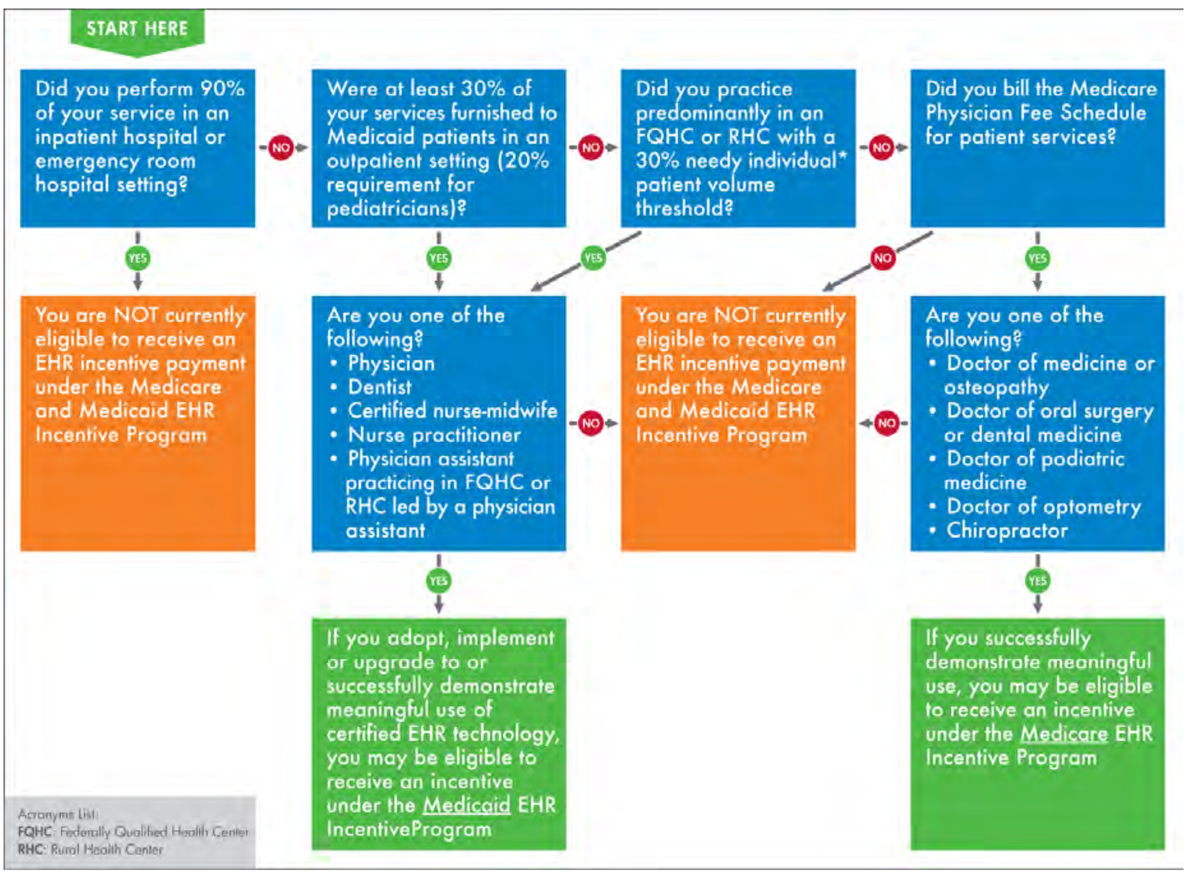
Assessment

Identifying the right path to take

The chart below reflects decision criteria taken from [The Center for Medicare and Medicaid's (CMS) website]() and will help you determine whether you qualify to participate as a Medicare or Medicaid participant in the EHR incentive program. If you qualify for both, you will have to choose which path you want to follow before you register for the program. Consider these facts as you make your decision:

- You cannot participate in both tracks at the same time, but you can switch from one to the other (only once before 2015, however).
- Generally speaking, a higher total of incentive funds are available if you choose the Medicaid track over the Medicare track.
- If you participate as a Medicaid provider, you will also have more flexibility in which year you choose to begin participating and less-stringent immediate requirements for demonstrating meaningful use.

Figure 4: Medicare or Medicaid? Determine Your Eligibility



*Section 1903 (t)(3)(f) of the Act defines needy individuals as individuals meeting any of the following three criteria: (1) They are receiving medical assistance from Medicaid or the Children's Health Insurance Program (CHIP); (2) they are furnished uncompensated care by the provider; or (3) they are furnished services at either no cost or reduced cost based on sliding scale.

Differences in-depth

What's available to (and required from) medical practices

Incentive payments

As the following charts show, there are two main differences between the dollar amount of payments available to Medicare and Medicaid participants in the EHR incentive plans: the maximum amount paid, and the amount paid annually after the first year of the program.

Medicare: The maximum available to Medicare participants is $48,400 over five years. This includes an extra 10% paid to participants who are practicing in an area that the government has designated as a geographic Health Professional Shortage Area (HPSA). On the Medicare path, the amount paid for the first year of participation is higher in 2011 and 2012 ($18,000) than it is in 2013 and 2014 ($15,000 and $12,000 respectively), and the amount paid annually is higher in the first year of participation than in any other year.

Medicaid: The maximum available to Medicaid participants is $63,750 over six years. The amount paid for the first year ($21,250) is the same regardless of what year participation begins, and the amount paid annually after that is also the same ($8,500) every year.

Figure 3: Eligible Provider Incentive Payment Plan Schedule Under ARRA

HITECH ACT: MEDICARE REIMBURSEMENT PLAN

	ADOPTION 2011	ADOPTION 2012	ADOPTION 2013	ADOPTION 2014	ADOPTION 2015+
2011	$18,000	$0	$0	$0	$0
2012	$12,000	$18,000	$0	$0	$0
2013	$8,000	$12,000	$15,000	$0	$0
2014	$4,000	$8,000	$12,000	$12,000	$0
2015	$2,000	$4,000	$8,000	$8,000	$0
2016	$0	$2,000	$4,000	$4,000	$0
TOTAL	$44,000	$44,000	$39,000	$24,000	$0
Health Prof. Shortage Area	$48,400	$48,400	$42,900	$26,400	$0

U.S. Congress. House. American Recovery and Reinvestment Act Of 2009. H.R. 1. 111th Cong., 1st sess. (February 10, 2009). http://edocket.access.gpo.gov/2010/E9-31217.htm (Tables 22 and 23, accessed June 2010).

HITECH ACT: MEDICAID REIMBURSEMENT PLAN

	ADOPTION 2011	ADOPTION 2012	ADOPTION 2013	ADOPTION 2014	ADOPTION 2015	ADOPTION 2016	ADOPTION 2017+
2011	$21,250	$0	$0	$0	$0	$0	$0
2012	$8,500	$21,250	$0	$0	$0	$0	$0
2013	$8,500	$8,500	$21,250	$0	$0	$0	$0
2014	$8,500	$8,500	$8,500	$21,250	$0	$0	$0
2015	$8,500	$8,500	$8,500	$8,500	$21,250	$0	$0
2016	$8,500	$8,500	$8,500	$8,500	$8,500	$21,250	$0
2017	$0	$8,500	$8,500	$8,500	$8,500	$8,500	$0
2014	$0	$0	$8,500	$8,500	$8,500	$8,500	$0
2019	$0	$0	$0	$8,500	$8,500	$8,500	$0
2020	$0	$0	$0	$0	$8,500	$8,500	$0
2021	$0	$0	$0	$0	$0	$8,500	$0
TOTAL	$63,750	$63,750	$63,750	$63,750	$63,750	$63,750	$0

U.S. Congress8 House. American Recovery and Reinvestment Act Of 2009. H.R. 1. 111th Cong., 1st sess. (February 10, 2009). https://edocket.access.gpo.gov/2010/E9-31217.htm (Table 28, accessed November 2010.)

Penalties for non-participation

Medicare participants are subject to disincentives for waiting to participate in the program and to government penalties for not participating at all, while Medicaid participants face no disincentives or penalties.

Medicare: Participants who wait until 2013 or 2014 to participate in the program can expect a smaller maximum benefit over the course of the program, because their first-year payments will be lower and they will be participating over fewer years. Practices that fail to participate at all face penalties in the form of Medicare payments being reduced by 1% in 2015, by 2% in 2016 and by 3% in 2017. In addition, the Secretary of Health and Human Services has the discretion to impose additional penalties in subsequent years.

Medicaid: There are no reductions in amounts paid to participants who join after the first two years of the program, and there are no government-imposed penalties for non-participation.

Opportunity availability

The Medicaid track is administered at the state level, and each state sets its own registration schedule. This means that the timing of program availability may differ depending on which state is involved. (In contrast, the Medicare track is administered across all 50 states by the federal government, so the program is available at the same time everywhere.)

Medicare: Participants can begin to take advantage of the opportunity to participate in the EHR incentive program immediately.

Medicaid: Opportunity availability will vary depending on the state in which a practice is located. As of the date of publication of this paper, the program is currently available to qualifying participants in the following states.

- Alaska
- Iowa
- Kentucky
- Louisiana
- Michigan
- Mississippi
- North Carolina
- Oklahoma
- South Carolina
- Tennessee
- Texas

Registration will open in February, 2011 in California, Missouri and North Dakota. Other states are scheduled to launch the program in their areas throughout the spring and summer of 2011. Visit CMS's website for the current state specific information.

Program eligibility

Qualified participants in the EHR incentive program are known as Eligible Professionals, or EPs. Eligibility differs based on whether participants are on the Medicare or Medicaid path to incentives.

In a group practice, each individual EP may qualify for the program; however, an EP who is associated with more than one practice cannot collect more than one incentive payment per year.

Medicare: CMS defines a Medicare EP as a non-hospital-based doctor, dentist, podiatrist, optometrist or, in some cases, chiropractor.

Medicaid: CMS defines a Medicaid EP as a non-hospital-based physician, dentist, nurse practitioner or certified nurse mid-wife, or a physician assistant who furnishes services in a federally qualified health center or rural health center (FQHC/RHC) that is led by a physician assistant.

Further, to qualify as a Medicaid EP, the provider must have a minimum 30% Medicaid patient volume (20% for pediatricians) or, if practicing in a FQHC/RHC, minimum 30% patient volume attributable to needy individuals. These thresholds for patient volume are measured by a ratio where the numerator is the total number of Medicaid or needy-individual encounters over a continuous 90-day period and the denominator is all patient encounters over the same 90-day period.

Group practices can apply the patient volume requirement to *all* EPs in their practice, if they meet three conditions set by CMS.

1. The practice's patient volume is appropriate for a patient volume methodology calculation for the EP; for example, the practice's patient volume requirement could not be applied to an EP who sees no Medicaid patients.
2. An auditable data source supports the patient volume determination for the practice.
3. The practice and EPs use one common methodology; in other words, the practice cannot have some EPs using individual patient volume data while others use practice-wide data. The practice also must not limit the patient volume in any way.

Meaningful Use

Under the Health IT provisions of ARRA, participants in the EHR incentive program must meet certain criteria to demonstrate their "meaningful use" of EHR technology in order to qualify for incentive payments. While Medicare and Medicaid participants are required to meet the same criteria (see the HP white paper **"Demonstrating EHR Meaningful Use"**), there is a significant difference in how and when they show that they have done so.

Medicare: In the first year of participation, to qualify for the incentive payment, a Medicare practice must successfully demonstrate meaningful use of certified[2] EHR technology by reporting for a period of 90 consecutive days on its efforts to adopt, implement or upgrade EHR technology. For subsequent years, the EHR reporting period is the entire calendar year.

Medicaid: Unlike Medicare participants, Medicaid participants do not have to satisfy the 90-day reporting time requirement until the second year of participation. They still have to demonstrate that they have adopted, implemented or upgraded EHR technology to qualify for incentive payments in the first year, but there is no 90-day EHR reporting period associated with this until the second year. After that, the EHR reporting period is the entire calendar year.

Participation deadlines

Medicare:

- January 1, 2011: First day of the reporting year for providers who begin participation in 2011.
- October 1, 2011: Last day to start the 90-day reporting period for providers who begin participation in 2011.

- February 29, 2012: Last day to register for the program in time to get an incentive payment for Calendar Year 2011.
- 2012: Last year to start participation without a reduction in the first-year incentive payment (which goes from $18,000 down to $15,000 in 2013 and down to $12,000 in 2014).
- 2014: Last year to register for the program.
- 2015: Start of federal penalties (in the form of reduced Medicare payments) for failure to participate.

Medicaid:

- February 29, 2012: Last day to register in time to get an incentive payment for Calendar Year 2012.
- January 1, 2012: First day of the reporting year for providers who begin participation in 2011.
- October 1, 2012: Last day to start the 90-day reporting period for providers who begin participation in 2011.
- 2016: Last year to register for the program. Participation may begin in any year from 2011 to 2016 with no reduction in payments based on the starting year.

Scenarios

Examples of participation and payments on the two paths

Medicare Participant: Dr. Garza

Dr. Garza submitted charges to Medicare during calendar year 2011. She does not have Medicaid patients, so she registered to participate in the EHR incentive program as a Medicare provider. During 2011, she demonstrated meaningful use of certified EHR technology for a continuous 90-day reporting period. As a result, she is eligible to receive an $18,000 payment for 2011. Beginning in 2012, assuming she meets the requirement to demonstrate meaningful use of the technology throughout the year, she will receive additional payments of $12,000 in 2012, $8,000 in 2013, $4,000 in 2014 and $2,000 in 2015. If she worked in a geographic HPSA, she would receive an additional 10% in payments.

Medicare Participant: Dr. Roberts

Dr. Roberts submitted charges to Medicare and adopted EHR technology in calendar year 2013. He does not have Medicaid patients, so he registered to participate in the EHR incentive program as a Medicare provider. During 2013, he demonstrated meaningful use of certified EHR technology for a continuous 90-day reporting period. As a result, he is eligible to receive a $15,000 payment for 2013, the maximum allowed for participants who join the program in that year. Beginning in 2014, assuming he meets the requirement to demonstrate meaningful use of the technology throughout the year, he will receive additional payments of $12,000 in 2014, $8,000 in 2015 and $4,000 in 2016. His total payments for the four years during which he participated in the five-year program will be $5,000 less than Dr. Garza's since he joined the program later.

Medicaid Participant: Dr. Gupta

Dr. Gupta submitted charges to Medicare during calendar year 2011, but also met all eligibility criteria to participate in the EHR incentive program as a Medicaid provider. Due to higher total payments available on the Medicaid track she elected that route through her state's Medicaid program. During 2011, Dr. Gupta adopted, implemented or upgraded EHR technology in her practice, making her eligible to receive $21,250 payment for 2011. In 2012, assuming she meets the Medicaid-track requirement to demonstrate meaningful use of technology through a 90-day continuous reporting period, she will receive an additional $8,500. In years 2013-2016, if she demonstrates meaningful use throughout each year, she will receive continued annual payments of $8,500. Her total payments for the six-year program period will be $63,750.

Medicaid Participant: Dr. Child

Dr. Child met the eligibility criteria to participate in the EHR incentive program as a Medicaid provider by having a 20% Medicaid patient volume. During 2011, he adopted, implemented or upgraded EHR technology in his practice, making him eligible to receive $14,025; this is 2/3 of the $21,250 he would receive if he had 30% Medicaid patient volume. In 2012, assuming he meets the requirement to demonstrate meaningful use of the technology through a 90-day continuous reporting period, he will receive an additional $5,610; this is 2/3 of the $8,500 he would receive if he had 30% Medicaid patient volume. In years 2013-2016, if he demonstrates meaningful use of the technology throughout each year, he will receive continued annual payments of $5,610. His total payments for the six-year program period will be $42,075.

Medicare and Medicaid Participant: Dr. Washington

Like Dr. Gupta, Dr. Washington submitted charges to Medicare during calendar year 2011. However, unlike her, he did not meet the eligibility criteria to participate in the EHR incentive program as a Medicaid provider. He registered as a Medicare provider, demonstrated meaningful use of EHR technology in 2011 through a 90-day continuous reporting period and became eligible to receive an $18,000 payment. In 2012, he increased his Medicaid patient volume and qualified to participate as a Medicaid provider. Based on the program rule allowing providers to switch programs only once before 2015, he changed to the Medicaid track for 2012. Assuming he meets the Medicaid-track requirement to demonstrate meaningful use of the technology through a 90-day continuous reporting period, he will receive $8,500 in 2012. In years 2013-2016, if he demonstrates meaningful use of the technology throughout each year, he will receive continued annual payments of $8,500. His total payments will be $60,500 – more than if he had continued to participate as a Medicare provider after the first year.

What now?

A step-by-step guide

Once you know your path to reimbursement – Medicare or Medicaid – take the following steps to initiate participation.

Medicare participants

1. Register as soon as possible to get the maximum financial benefit from the program. Remember, you can register even before your EHR system has been implemented.
2. Meet the program registration requirements for having a National Provider Identifier (NPI), being enrolled in the CMS Provider Enrollment, Chain and Ownership System (PECOS) and having an active user account in the National Plan and Provider Enumeration System (NPPES). Learn more about how to meet these requirements at http://www.cms.gov.
3. Be sure the technology you're using or considering has been certified for the program by the Office of the National Coordinator (ONC). Visit http://onc-chpl.force.com/ehrcert for a current list.
4. Prepare to demonstrate your meaningful use of the system for a continuous 90-day period in your first year of participation. Learn more at https://www.cms.gov.

Medicaid participants

1. Visit http://www.cms.gov to confirm that your state is participating in the Medicaid EHR Incentive Program.
2. Register as soon as your state announces that registration is available. See p. 7 for a list of states that already have. Remember, you can register even before your EHR system has been implemented.
3. Meet the program registration requirements for having a National Provider Identifier (NPI) and an active user account in the National Plan and Provider Enumeration System (NPPES). Learn more about how to meet these requirements at http://www.cms.gov
4. Be sure the technology you're using or considering has been certified for the program by the Office of the National Coordinator (ONC). Visit http://onc-chpl.force.com/ehrcert for a current list.
5. Get qualified to receive incentive payments in your first year of participation by doing one of the following: adopting certified EHR technology, implementing certified EHR technology you have already purchased, upgrading your current system to certified EHR technology, or demonstrating meaningful use of certified EHR technology for a 90-day period.
6. To receive your incentive payment, you must have spent at least $3,750 on certified EHR technology that cost a total of at least $25,000 to acquire and implement.
7. Check with your state program administrators to see if there are other requirements that you need to meet.

Conclusion

Federal and state governments are prepared to pay billions of dollars in incentives to encourage healthcare providers to make the switch to EHR systems. But those incentives can vary considerably depending on whether you participate as a Medicare or Medicare provider, when you enroll and how your practice demonstrates its meaningful use of EHR technology. This paper was designed to help you negotiate all these variables, with details about the requirements on each path, real-world scenarios for participation and a list of next steps to take. HP and Intel's goal in providing this information is to help ensure that you enjoy a smooth transition to EHR and that you reap the full benefits available to you from the EHR incentive program.

About HP and Intel for healthcare

Why HP for Healthcare
Healthcare organizations depend on HP for industry-leading technologies and services. HP brings to the healthcare landscape a 50-year history of innovation; end-to-end, tailored solutions based on best-in-class technology; and rock-solid IT that delivers the high reliability, security and manageability that healthcare environments demand.

Why HP for EHR
HP has created the EHReady for Physicians program -- drawing on many of its powerful information technology capabilities -- to deliver a comprehensive EHR solution tailored to physician practices. EHReady for Physicians includes software, hardware, flexible financing options, and consultation and support services to enable medical offices of any size to deploy EHR solutions. By providing physicians a simple and effective "one-stop shopping" experience, EHReady offers physicians a clear path towards achieving their most important EHR goals:

- Successfully adopting EHR throughout their medical office
- Meeting the criteria for ARRA reimbursement funds
- Enabling long-term profitability
- Improving quality of patient care

With an end-to-end program like EHReady for Physicians, looking at IT implementation from a holistic perspective, medical offices not only start enjoying the tangible and intangible benefits of EHR solutions more quickly, but more meaningfully over time.

Why Intel for Healthcare
Intel is committed to helping improve the delivery of healthcare by providing people-centered innovation, foundational technology architecture and the ability to drive policies and standards. Intel processors and purpose-built healthcare solutions enable improved quality and efficiency across systems, supporting caregivers in their efforts to improve prevention, intervention and overall wellness.

Why Intel for EHR
Intel works with healthcare leaders around the world to create integrated, digital healthcare environments, by providing the interoperability, standards-based digital technologies and comprehensive solutions that are essential to successfully negotiating this change. PCs powered by the Intel Core processor family offer a wide range of benefits to healthcare organizations that are making the transition to EHR systems, including intelligent performance that helps clinicians and staff work more efficiently and smart security that can help protect patient information.

For more information

To read more about HP technology for medical practices, please visit:
http://www.hp.com/sbso/solutions/healthcare.

To read more about Intel technology for healthcare please visit:
http://www.intel.com/about/companyinfo/healthcare/index.htm

Notes

1 EHR incentive program fact sheet, Centers for Medicare and Medicaid Services, Pub# 954759, ICN# 904763, November 2010.

2 One of the requirements of the EHR incentive program is that participants in the program use EHR systems that have been certified by testing and certification organizations named by the Office of the National Coordinator (ONC). Learn more about these organizations in the HP white paper **"Demonstrating EHR Meaningful Use."** For a current list of certified systems, visit http://onc-chpl.force.com/ehrcert.

4AA3-4152ENA, April 2011