

Under the provisions of the American Recovery and Reinvestment Act of 2009 (ARRA, or the “Stimulus Act”), physicians are eligible for financial incentives for demonstrating “meaningful use” of an electronic health record (EHR) system. Physicians can qualify for incentives either through the Medicare program, or through the Medicaid program (called Medi-Cal in California). Most Medicare providers will be eligible for up to \$44,000 in incentives paid out over five years beginning in 2011.

Medicare providers can begin demonstrating meaningful use as early as 2011. Starting in 2015, physicians who have not demonstrated meaningful use will receive Medicare payment reductions.

This document is intended to assist physicians in understanding the basics of the Medicare provider incentives and how to access them.

Maximum Incentive Payments

The maximum provider incentive that physicians can receive under the Medicare program is \$44,000, paid out over a five-year period.

Physicians will only receive the maximum incentive if they achieve meaningful use in calendar year 2011 or 2012. In 2013 and 2014, physicians can still receive incentives, but for lower amounts. The following chart lays out the maximum amount that a physician will receive, based on the first year of meaningful use:

	2011	2012	2013	2014
2011	\$18,000	-	-	-
2012	\$12,000	\$18,000	-	-
2013	\$8,000	\$12,000	\$15,000	-
2014	\$4,000	\$8,000	\$12,000	\$12,000
2015	\$2,000	\$4,000	\$8,000	\$8,000
2016	\$0	\$2,000	\$4,000	\$4,000
Total	\$44,000	\$44,000	\$39,000	\$24,000

Calculation of Incentive

In any given year, the maximum incentive that physicians can receive is 75% of their Medicare Part B (fee-for-service) charges from the previous year. Therefore, in order for physicians to receive the maximum incentive in 2011, they must have at least \$24,000 in Medicare Part B charges from the previous year ($\$24,000 \times .75 = \$18,000$).

Exclusion of Medicare Advantage

For the purposes of calculating their incentive, physicians cannot include any charges paid by a Medicare Advantage (Medicare Part C) plan. There is a separate incentive program specifically established for Medicare Advantage Organizations (MAOs).

In order to qualify as an MAO, however, the physicians in that organization must provide 80% of their Medicare Advantage services to patients covered by the organization.

The rules of the MAO incentive program will prohibit all but a very few very large integrated systems from qualifying.

Reductions in Payment

Beginning in 2015, physicians who do not demonstrate meaningful use will see reductions in payment. As shown in the table below, these reductions increase from 1% of total Medicare charges in 2015, to 2% in 2016, and 3% in 2017 and every year thereafter.

Year	Reduction
2015	-1%
2016	-2%
2017+	-3%

Bonus for Physicians in Shortage Areas

Physicians who practice in a federally designated Health Professions Shortage Area (HPSA) are eligible for 10% bonus payments, meaning that their maximum incentive is \$48,400. In order to qualify for this bonus, physicians must provide more than 50% of their patient encounters at a location that is in a HPSA. Physicians who want to find out if their practice lies in a HPSA can [click here](#).

Demonstrating Meaningful Use

Meaningful use is the set of criteria, known as “Objectives and Measures,” that physicians will have to demonstrate in order to qualify for provider incentives. In 2011, physicians will demonstrate meaningful use through the use of an attestation. Beginning in 2012, CMS expects to have an internet website through which physicians will report on their objectives.

For more information on “meaningful use,” please see CMA’s Summary of the Final Rule on Meaningful Use, available [here](#).

Timelines and Next Steps

In late fall 2010, organizations selected by CMS will begin to publish lists of “certified” EHR systems. These systems will be tested to guarantee that they will allow physicians to demonstrate meaningful use.

Early 2011 CMS expects to post an internet site that will allow physicians to sign up to receive their incentive payments. Physicians who demonstrate meaningful use immediately could receive incentive payments as early as May 2011.