Medicaid Provider Incentive Payments for Adoption and use of Electronic Health Record Systems

You may be eligible to receive incentive payments or reimbursements of up to $63,750 from Arkansas Medicaid to offset the cost associated with implementing an electronic health record (EHR) in your clinic. The HIT provisions of the American Recovery and Reinvestment Act of 2009 (ARRA) afford states and their Medicaid providers an opportunity to leverage existing HIT efforts to achieve the vision of interoperable information technology for health care. Arkansas Medicaid will play a critical role in fulfilling this vision.

Arkansas Medicaid has begun preparing and planning for administration of incentive payments to providers, ensuring proper payments through auditing and monitoring, and participating in statewide efforts to promote interoperability and meaningful use of electronic health records. Certain classes of Medicaid professionals are eligible to receive Medicaid incentive payments. Eligible professionals (EPs) include physicians, dentists, certified nurse-midwives, nurse practitioners, and physician assistants who are practicing in Federally Qualified Health Centers (FQHCs) or Rural Health Clinics (RHCs). Eligible hospitals that may participate are acute care hospitals and children's hospitals.

To receive the Medicaid incentive, providers must meet criteria beyond just using a certified EHR. To be eligible for incentive payments, at least 30% of an EP’s patient panel must be paying with Medicaid (20% for pediatricians). Acute care hospitals with at least 10% Medicaid patient volume would also be eligible for payments, as would children’s hospitals of any patient volume. Arkansas Department of Human Services, Division of Medical Services will be responsible for determining if a Medicaid provider meets the required volume of Medicaid patients to qualify for the incentive payment. Eligible hospitals may receive incentives from Medicare and Medicaid; however, EPs must select only one program. Furthermore, Medicaid EPs and hospitals must select one state from which to receive their incentive payment each year.

The Medicaid financial incentives will begin in 2011 for providers who are able to demonstrate certified adoption, implementation, or upgrading of EHR technology, followed in subsequent years by demonstrated meaningful use. EPs can initially receive up to $21,250 (or 85% of the maximum $25,000 in “net average allowable costs”) to cover the cost of purchasing or upgrading certified technology. EPs are eligible to receive an additional $8,500 annually for five years as long as they continue to demonstrate meaningful use.

The maximum payment schedule for office-based providers or practices that have at least 30% Medicaid volume is as follows:
This brings the potential 6-year Medicaid payment total to $63,750 for EPs and, as noted, Medicaid payments can be made in advance of actual meaningful use so that adoption itself can be undertaken. Hospital payments are based on a formula outlined in the statute. Detailed information and the formula are available at:


Under the Meaningful Use Rule, providers will need to prove that they have met a set of proposed objectives with their EHR product to be considered “meaningful users”. Providers will need to prove meaningful use of their EHR for at least 90 continuous days in 2011 in order to earn an incentive, and then for the entire year each subsequent year.

To help providers with the adoption of electronic health records, and assist eligible providers in obtaining ARRA funds and achieving meaningful use of EHRs, Congress authorized funding for a number of Health Information Technology Regional Extension Centers (HITRECs) around the country.

The HITREC for Arkansas is HITArkansas, a division of the Arkansas Foundation for Medical Care (AFMC). HITArkansas will supply providers with program guidance, pre- and post-implementation workflow analysis, EHR vendor oversight and staff training to assist in the achievement of meaningful use. In addition, HITArkansas will provide meaningful use certification for eligible providers. Applications for participation are available on the HITArkansas website: http://www.hitarkansas.com.

HITArkansas will be responsible for certifying that the EHR software selected by the provider meets ONC EHR certification standards (once those are developed and implemented). HITArkansas will also select some preferred EHR software applications, which they will
recommend to participating providers but not require. In addition, HITArkansas will be responsible for certifying to Medicaid that providers meet meaningful use requirements after the first year of attestation and are therefore eligible for the initial incentive payment.

Despite the potential for a large number of providers to adopt or update HIT systems, many challenges remain. First, the “meaningful use” definition was released in proposed form and has not been finalized and issued as a rule. In addition, the meaningful use definition will become more challenging each subsequent year; therefore, the number of providers who remain eligible for incentive payments throughout the incentive period is likely to vary.

Second, while individual EHR systems are important, provider adoption incentives are only a part of the health care system investments that need to be made in order to achieve the quality and efficiency needed to improve health care.

Ultimately, the Recovery Act provisions are not solely about technology or information systems, but about enhancing quality and health care outcomes and leveraging stakeholders and resources to achieve this goal through the exchange of health information.

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