

**Washington State EHR Incentive Program**  
**WHITE PAPER #6: Hospital Payment Calculation**

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**INTRODUCTION:**

- Hospitals can be eligible for incentives under both Medicare and Medicaid
- Within a three-to-six year window, the hospital payment schedule is flexible and up to the State; Washington will be issuing incentives to hospitals over four payment years, in the proportions 40%, 25%, 20%, and 15% per year.
- For each hospital, an *individual* total payment amount for the duration of the program—called the “*aggregate hospital incentive payment*”—has been pre-calculated using the cost report data hospitals submit to MPA annually. This calculation has been approved by CMS, was developed in cooperation with the Washington Hospital Association.

**CALCULATION:**

The **aggregate hospital incentive payment calculation** will be used to determine the incentive payment amount for each individual hospital. This calculation, as determined by CMS rule, includes:

- A **base amount** of \$2,000,000 per year for each of the four payment years
- A **transition factor**, which is to be multiplied by the base amount for each payment year: Per rule, Year One is set at 100%, Year Two at 75%, Year Three at 50%, and Year Four at 25%.
- A **discharge-related amount**, which is an add-on to the base amount for each hospital, equaling \$200 per discharge for the 1,150<sup>th</sup> through the 23,000<sup>th</sup> discharge. Discharges before the 1,150<sup>th</sup> or after the 23,000<sup>th</sup> receive \$0.
- A **discharge growth factor**, which is determined by taking the average annual number of discharges for a given hospital over the last four years, the most recent year being the last certified cost report year. This factor is used to trend discharges for purposes of calculating future discharge-related add-on amounts.
- The **initial EHR amount** is the base amount, plus the discharge-related add-on amount, multiplied by the transition factor for each year of the incentive program.
- The **overall EHR amount** is the sum of the initial EHR amounts for each of the four years.
- **Medicaid share** is derived by dividing total Medicaid bed-days by the total inpatient hospital days, multiplied by the total charity care ratio for each hospital.
- The **aggregate EHR incentive payment amount** is derived by multiplying the Medicaid share by the overall EHR amount.
- The **aggregate EHR Incentive payment amount by year** is derived by dividing the aggregate EHR incentive payment amount into the distribution determined by Washington State of 40% in Year One, 25% in Year Two, 20% in Year Three, and 15% in Year Four.

**DATA ELEMENTS:**

Our calculations used data currently available to Washington State Agencies is as follows:

<b>Data Element</b>	<b>Location</b>	<b>Owner/Contact</b>
<b>Total All-Payer Discharges</b>	Medicaid Purchasing Administration (MPA)	MPA Medicaid EHR Incentive Program, Cari Tikka (360) 725-1181; Hospital Cost Report data located in individual hospitals file on worksheet S-3, Part I, column 15, line 12, Total All Patient Discharges
<b>Discharge Growth Factor</b>	Compiled by Medicaid Purchasing Administration (MPA)	MPA Medicaid EHR Incentive Program, Cari Tikka (360) 725-1181; calculation derived from compiling DOH CHARS data for each hospital to determine the average over last 4 years,
<b>Medicaid Fee-for-Service Inpatient Days</b>	Medicaid Purchasing Administration (MPA)	MPA Medicaid EHR Incentive Program, Cari Tikka (360) 725-1181; Hospital Cost Report data located in individual hospital files, on worksheet S-3, Part I, column 5, line 12, Total Title XIX, less line 11, Total XIX Nursery
<b>Medicaid Managed Care Inpatient Days</b>	Medicaid Purchasing Administration (MPA)	MPA Medicaid EHR Incentive Program, Cari Tikka (360) 725-1181; Hospital Cost Report data located in individual hospital files, on worksheet S-3, Part I, column 5, line 2, HMO Total Title XIX
<b>Charity Care</b>	Department of Health (DOH)	DOH Hospital & Patient Data Systems,
<b>Total Charges</b>	Medicaid Purchasing Administration (MPA)	MPA Medicaid EHR Incentive Program, Cari Tikka (360) 725-1181; Hospital Cost Report data located in individual hospital files, on worksheet C, Part I, column 8, line 103
<b>Total In-patient Hospital Days</b>	Medicaid Purchasing Administration (MPA)	MPA Medicaid EHR Incentive Program, Cari Tikka (360) 725-1181; Hospital Cost Report data located in individual hospital files, on worksheet S-3, Part I, column 6, line 12, Total All Patient I/P Days, less line 11, Total All Patient I/P Nursery Days

**Further Information:**

Any further questions regarding patient volume calculations or other issues concerning the EHR Incentive Program in Washington State, please contact [HealthIT@hca.wa.gov](mailto:HealthIT@hca.wa.gov) .

This White Paper will be updated as needed.

Name Change Disclaimer: CMS is renaming the EHR Incentive Programs to the Promoting Interoperability (PI) Programs. Washington does not plan on following the name change however, you will see reference to it in most of our documents. For more information please visit the CMS website.