

Program Memorandum Intermediaries/Carriers

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal AB-03-146

Date: SEPTEMBER 26, 2003

CHANGE REQUEST 2834

SUBJECT: Reminder Notice of the Implementation of the Ambulance Transition Schedule

SCOPE:

This Program Memorandum (PM) reminds fiscal intermediaries (FIs) and carriers to update the blended rates for the ambulance fee schedule during the transition schedule.

BACKGROUND:

On April 1, 2002, CMS implemented a new fee schedule that applies to all ambulance services, including volunteer, municipal, private, independent, and institutional providers, i.e., hospitals, critical access hospitals, and skilled nursing facilities. The fee schedule was effective for claims with dates of services on or after April 1, 2002. Under the fee schedule, ambulance services covered under Medicare will be paid based on the lower of the actual billed amount or the ambulance fee schedule amount.

As discussed in previous PMs, the fee schedule will be phased in over a 5-year period. When fully implemented, the fee schedule will replace the current retrospective reasonable cost reimbursement system for providers and the reasonable charge system for ambulance suppliers.

This PM reminds FIs and carriers of the transition schedule and of the necessity to update the transition percentages effective each January 1 of 2004, 2005, and 2006.

POLICY:

The ambulance fee schedule is subject to a 5-year transition period as follows:

<u>Year</u>	<u>Fee Schedule Percentage</u>	<u>Cost/Charge Percentage</u>
Year 1 (4/1/02 – 12/31/02)*	20%	80%
Year 2 (CY 2003)*	40%	60%
Year 3 (CY 2004)	60%	40%
Year 4 (CY 2005)	80%	20%
Year 5 (CY 2006 and thereafter)	100%	0%

* Previous and current year percentages

The foregoing schedule signifies that, during the transition schedule, the Medicare allowed amount for ambulance services, mileage, and separately billable supplies will comprise a blended rate. The blended rate will include a portion of the fee schedule, and a portion of the provider's reasonable cost or the supplier's reasonable charge. (For providers billing ambulance services to FIs, all supplies and services rendered are considered part of the base rate and are not separately billable under the ambulance fee schedule. For Part B suppliers billing ambulance services, separately billable supplies may be billed, depending on the supplier's billing method.)

During Year 1, the fee schedule amount was comprised of only 20 percent of the blended amount and the remaining 80 percent of the blended amount was based on the provider's reasonable cost or the supplier's reasonable charge. During Year 2, the fee schedule amount was comprised of 40 percent of the blended amount and the provider's reasonable cost or the supplier's reasonable charge was comprised of the remaining 60 percent. During Year 3, the fee schedule amount will comprise 60 percent of the blended amount and the provider's reasonable cost or the supplier's reasonable charge will comprise the remaining 40 percent. During Year 4, the fee schedule amount will comprise 80 percent of the blended amount and the provider's reasonable cost or the supplier's reasonable charge will comprise the remaining 20 percent. Beginning with Year 5, i.e., for services and supplies furnished, and mileage incurred, beginning January 1, 2006, and each year thereafter, the full fee schedule comprises the entire Medicare allowed amount and no portion of the provider's reasonable cost or the supplier's reasonable charge shall be considered.

IMPLEMENTATION:

For the implementation steps below, only suppliers using certain billing methods may bill separately for ambulance supplies and ancillary services during the transition period. For providers billing ambulance services to FIs, all supplies and services rendered are considered part of the base rate and are not separately billable under the ambulance fee schedule.

1. For ambulance services and supplies furnished, and mileage incurred on or after January 1, 2004 through December 31, 2004, determine the Medicare allowed amount on the basis of 60 percent of the national fee schedule amount, and 40 percent of the provider's reasonable cost or the supplier's reasonable charge.
2. For ambulance services and supplies furnished, and mileage incurred on or after January 1, 2005 through December 31, 2005, determine the Medicare allowed amount on the basis of 80 percent of the national fee schedule amount, and 20 percent of the provider's reasonable cost or the supplier's reasonable charge.
3. For ambulance services and supplies furnished, and mileage incurred on or after January 1, 2006, and thereafter, determine the Medicare allowed amount solely on the basis of the national fee schedule amount.
4. Deny claims for separately billable supplies for supplies furnished on or after January 1, 2006.
5. Download from the CMS mainframe via CONNECT: Direct and install, as appropriate, the ambulance fee schedules for 2004, 2005, 2006, respectively, as such file becomes available.
6. Otherwise adhere to and be guided by the provisions of the previous PMs regarding the ambulance fee schedule unless an instruction is directly and expressly contradicted by these instructions.

PROVIDER EDUCATION:

Contractors must notify providers and suppliers through Web site postings, regularly scheduled bulletins and listservs that target the affected provider communities, in advance of each year of the transition, of the ambulance fee schedule transition schedule, and of the percentages applicable to the blended allowed amount for each remaining year of the transition.

The effective date for this Program Memorandum (PM) is January 1, 2004

The implementation date for this PM is January 1, 2004.

These instructions should be implemented within your current operating budget.

This PM may be discarded after December 31, 2006.

If you have any questions, contact your Regional Office