
CMS Manual System

Pub. 100-04 Medicare Claims Processing

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

Transmittal 144

Date: APRIL 23, 2004

CHANGE REQUEST 3175

I. SUMMARY OF CHANGES: Critical Access Hospitals (CAH) may establish psychiatric and rehabilitation distinct units effective for cost reporting periods beginning on or after October 1, 2004. These changes have been established with the Medicare Modernization Act (MMA) of 2003, PL 108-173.

NEW/REVISED MATERIAL - EFFECTIVE DATE: October 1, 2004

***IMPLEMENTATION DATE: October 4, 2004**

Disclaimer for manual changes only: The revision date and transmittal number apply only to the red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will only receive the new/revised information, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS:

(R = REVISED, N = NEW, D = DELETED)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	3/ Table of Contents
R	3/ 30.1/ Requirements for CAH Services, CAH Skilled Nursing Care Services and Distinct Part Units

*III. FUNDING:

These instructions should be implemented within your current operating budget.

IV. ATTACHMENTS:

X	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

*Medicare contractors only

Attachment - Business Requirements

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SUBJECT: Distinct Part Units for Critical Access Hospitals

I. GENERAL INFORMATION

- A. Background:** New Requirements for Critical Access Hospitals (CAH). These changes have been established with the Medicare Modernization Act (MMA) of 2003, PL 108-173. CAHs may establish psychiatric and rehabilitation distinct part units effective for cost reporting periods beginning on or after October 1, 2004.
- B. Policy:** New legislation signed into law on December 8, 2003 made the following changes:
1. CAH's may establish psychiatric and rehabilitation distinct part units;
 2. The distinct part unit must meet the conditions of participation requirement for hospitals;
 3. The distinct part unit must also meet the requirements other than conditions of participation that would apply if the unit were established in an acute care hospital;
 4. Services provided in these distinct part units will be paid under the payment methodology that would apply if the unit were established in an acute care (non-CAH) hospital paid under the hospital inpatient PPS;
 5. Inpatient Rehabilitation Facilities are paid under the Inpatient Rehabilitation Facility PPS (See Pub 100-04, Chapter 3, section 140 for billing requirements) and the Inpatient Psychiatric Units are paid on a reasonable cost basis until a prospective payment system is created (expected in 2005);
 6. Beds in these distinct part units are excluded from the 25 total bed count limit for CAHs;
 7. The bed limitation for each distinct part unit is 10; and
 8. If a distinct part unit does not meet applicable requirements with respect to a cost reporting period, no payment may be made to the CAH for services furnished in the unit during that period. Payment may resume only after the CAH has demonstrated that the unit meets applicable requirements.

C. Provider Education: "A provider education article related to this instruction will be available at www.cms.hhs.gov/medlearn/matters shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin."

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

Requirement #	Requirements	Responsibility
3175.1	The contractor shall pay inpatient claims from fully qualified distinct part units based in CAH's.	SSM, FI
3175.2	The contractor shall pay inpatient claims from fully qualified distinct part units based in CAH's using the appropriate payment system that would apply if the unit were based in an acute care (non-CAH) hospital paid under the IPPS.	SSM, FI
3175.3	The contractor shall pay hospitals in Maryland subject to the HSCRC according to the terms of the waiver, that is 94% of submitted charges subject to deductibles and coinsurance and non-covered Medicare policies.	SSM, FI

III. SUPPORTING INFORMATION & POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date: October 1, 2004</p> <p>Implementation Date: October 4, 2004</p> <p>Pre-Implementation Contact(s): Pat Barrett at 410-786-0508</p> <p>Post-Implementation Contact(s): Regional Offices</p>	<p>These instructions shall be implemented within your current operating budget.</p>
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Medicare Claims Processing Manual

Chapter 3 - Inpatient Hospital Billing

Table of Contents

(Rev. 144, 04-23-04)

*30.1 - Requirements for CAH Services, CAH Skilled Nursing Care
Services and Distinct Part Units*

***30.1 - Requirements for CAH Services, CAH Skilled Nursing Care Services and Distinct Part Units
(Rev. 144, 04-23-04)***

A CAH may provide acute inpatient care for a period that does not exceed, as determined on an annual average basis, 96 hours per patient. The CAH's length of stay will be calculated by their FI based on patient census data and reported to the CMS regional office (RO). If a CAH exceeds the length of stay limit, it will be required to develop and implement a corrective action plan acceptable to the CMS RO, or face termination of its Medicare provider agreement.

Items and services that a CAH provides to its inpatients are covered if they are items and services of a type that would be covered if furnished by a hospital to its inpatients. A CAH may use its inpatient facilities to provide post-hospital SNF care and be paid for SNF-level services if it meets the following requirements:

1. The facility has been certified as a CAH by CMS;
2. *The facility operates up to 25 beds for either acute (CAH) care or SNF swing bed care* (any bed of a unit of the facility that is licensed as a distinct-part SNF is not counted under paragraph (1) of this section); and
3. The facility has been granted swing-bed approval by CMS.

A CAH that participated in Medicare as a rural primary care hospital (RPH) on September 30, 1997, and on that date had in effect an approval from CMS to use its inpatient facilities to provide post-hospital SNF care, may continue in that status under the same terms, conditions, and limitations that were applicable at the time those approvals were granted.

A CAH may establish psychiatric and rehabilitation distinct part units effective for cost reporting periods beginning on or after October 1, 2004. The CAH distinct part units must meet the following requirements:

1. *The facility has been certified as a CAH by CMS;*
2. *The distinct part unit must also meet the conditions of participation requirements for hospitals;*
3. *The distinct part unit must also meet the requirements, other than conditions of participation that would apply if the unit were established in an acute care hospital;*
4. *Services provided in these distinct part units will be paid under the payment methodology that would apply if the unit were established in an acute care (non-CAH) hospital paid under the hospital inpatient PPS; Inpatient Rehabilitation Facilities are paid under the Inpatient Rehabilitation Facility PPS (see Pub 100-04, Chapter 3, section 140 for billing requirements) and the Inpatient Psychiatric*

Units are paid on a reasonable cost basis until a prospective payment system is created (expected in 2005);

- 5. Beds in these distinct part units are excluded from the 25 bed count limit for CAHs;*
- 6. The bed limitations for each distinct part unit is 10; and*
- 7. If a distinct part unit does not meet applicable requirements with respect to a cost reporting period, no payment may be made to the CAH for services furnished in the unit during that period. Payment may resume only after the CAH has demonstrated that the unit meets applicable requirements.*