
Program Memorandum Intermediaries/Carriers

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

Transmittal AB-00-117

Date: NOVEMBER 30, 2000

CHANGE REQUEST 1166

SUBJECT: Payment of Drugs, Biologicals and Supplies in a Comprehensive Outpatient Rehabilitation Facility (CORF)

Background

Program Memorandum (PM) AB-00-39, Change Request 1155, dated May 2000, provided for payment of all CORF services under the Medicare Physician Fee Schedule (MPFS) effective with claims with dates of service on or after the implementation of outpatient prospective payment system. However, that instruction failed to address payment for drugs, biologicals and supplies provided in a CORF since drugs, biologicals and supplies are not part of the MPFS.

The purpose of this PM is to furnish you with instructions needed to implement a drug payment methodology and to address payment of supplies.

Drugs and Biologicals

Payment for drugs and biologicals in a CORF setting will no longer be reimbursed on cost. Payment will be made at the lower of the billed charge or 95 percent of the average wholesale price (AWP) as reflected in sources such as the Red Book, Blue Book, or Medispan. For single-source drug or biological the allowance is 95 percent of the AWP for the single product, or, for multi-source drug or biological, the AWP is the lesser of the median AWP of all generic forms of the drug or biological or the lowest brand name product AWP. The Part B deductible and coinsurances apply. See note below for payment of vaccines.

Advise your CORFs to report drugs and biologicals under revenue code 636 with the appropriate HCPCS code identifying the drug.

In order to eliminate duplication of effort by our contractors and to ensure uniform pricing of drugs, carriers will furnish their drug payment allowance for all drugs directly to the intermediaries in their jurisdiction free of charge.

Intermediaries should contact the carriers to determine the preferred method of transmission. Carriers are to send this information to all intermediaries they routinely deal with. If this method of obtaining payment allowance updates does not work for any carrier, contact your appropriate regional office immediately.

Supplies

CORFs are currently are being reimbursed for supplies on the basis of cost. However, since supplies are part of the practice expense, separate payment under the MPFS should not be made, and CORFs should not bill for the supplies they furnish. The payment for supplies is included in the practice expense of services listed on the MPFS.

NOTE: Payment for influenza, pneumococcal pneumonia and Hepatitis B vaccines provided by a CORF are made under the outpatient prospective payment system as outlined in PM A-00-36, Change Request 1229, dated June 2000.

HCFA-Pub. 60A/B

These instructions should be implemented within your current operating budget.

This PM may be discarded April 30, 2002.

The *effective date* of this PM is April 1, 2001.

The *implementation date* for this PM is April 1, 2001.

If you have any questions, contact your local regional office.