
Program Memorandum Intermediaries

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

Transmittal A-03-054

Date: JUNE 20, 2003

CHANGE REQUEST 2803

SUBJECT: Revision to CR 2573, Transmittal A-03-013, dated February 14, 2003: 3-Day Payment Window Refinements Under the Short-Term Hospital Inpatient Prospective Payment System

This Program Memorandum (PM) revises the listing of revenue codes for diagnostic services added in CR 2573/A-03-013. The PM also defines the terms, “short-term” and “excluded” hospitals and units, as used in CR 2573/A-03-013.

The following revenue codes, formerly identified as diagnostic in CR 2573/A-03-013, are to be treated as therapeutic (also known as nondiagnostic) for purposes of the Common Working File (CWF) edits for the 3-day (DRG) payment window:

51X - Clinic
52X - Free-standing Clinic
71X - Recovery Room
75X - Gastrointestinal Services

Services in these centers may be either diagnostic or therapeutic and cannot be easily differentiated in the CWF. Therefore, for electronic editing purposes, we are treating services in these centers as therapeutic. That is, claims submitted using these codes would not be automatically rejected for payment as diagnostic services as a result of the 3-day payment window. However, providers are responsible for billing properly according to the 3-day payment window provisions specified in CFR §§ 412.2(c)(5) and 413.40(c)(2), and the February 11, 1998, **Federal Register** (63 FR 6864).

This PM modifies the CWF to reflect the changes noted above. Additionally, this PM revises the diagnostic revenue codes listed in the following manuals:

- Medicare Intermediary Manual, Part 3, §3610.3 (Outpatient Services Treated As Inpatient Services)
- Medicare Hospital Manual, §415.6 (Outpatient Services Treated As Inpatient Services)

This PM also clarifies that the reference to short-term hospitals refers to those entities for which Medicare pays for services under the hospital inpatient prospective payment system (IPPS), in accordance with Section 1886(d) of the Social Security Act.

Additionally, the reference to excluded hospitals and units refers to those entities specified under Section 1886(d)(1)(B) of the Act. These hospitals and units are: psychiatric hospitals and units; inpatient rehabilitation facilities (IRFs) and units; long-term care hospitals (LTCH); children’s hospitals; and cancer hospitals. Critical access hospitals (CAHs) are not subject to the 3-day (nor 1-day) DRG payment window.

Provider Education

Intermediaries must inform affected provider communities by posting relevant portions of this instruction on their Web sites within two weeks of receiving this instruction. In addition, this same information must be published in your next regularly scheduled bulletin. If you have a listserv that targets the affected provider communities, you must use it to notify subscribers that information about 3-Day Payment Window Refinements Under the Short-Term Hospital Inpatient Prospective Payment System is available on your Web site.

The *effective date* for this PM is July 1, 2003.

The *implementation date* for this PM is July 1, 2003.

These instructions should be implemented within your current operating budget.

This PM may be discarded after June 30, 2004.

If you have any questions pertaining to the 3-day payment window, contact Valerie Miller (410-786-4535), or Amy Gruber (410-786-1542).