
Program Memorandum Intermediaries

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

Transmittal A-01-144

Date: DECEMBER 20, 2001

CHANGE REQUEST 1917

SUBJECT: Additional Information Related to Section 212 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act (BIPA) of 2000 (Public Law 106-554) Affecting Medicare-Dependent, Small Rural Hospitals (MDHs). Also, Clarifications and Corrections to: *Changes to the Hospital Inpatient Prospective Payment Systems and Rates and Costs of Graduate Medical Education; Fiscal Year 2002 Rates, Etc.; Final Rules*, as Published in the *Federal Register* on August 1, 2001 (66 FR 39828).

This Program Memorandum (PM) serves to further clarify our instructions for approving new Medicare-dependent, small rural hospitals, as published in the August 1, 2001 final rule. It also corrects certain wage index values that were published incorrectly in that final rule. Finally, it corrects certain typographical errors associated with the discussion about new codes under the International Classification of Diseases-Ninth Revision-Clinical Modification (ICD-9-CM). **Inform hospitals of these changes.**

Medicare-Dependent, Small Rural Hospitals (MDHs)

Section 212 of BIPA provides an option to base eligibility for MDH status on “two of the three most recently audited cost reporting periods, for which the Secretary has a settled cost report”, where at least 60 percent of a hospital’s inpatient days or discharges were attributable to Medicare Part A beneficiaries. This provision, addressed initially in a PM dated January 18, 2001, (Transmittal Number A-01-11, Change Request 1519), as well as in an interim final rule in the *Federal Register* on June 13, 2001, (66 FR 32175), and in a final rule published in the *Federal Register* on August 1, 2001, (66 FR 39883), is effective with cost reporting periods beginning on or after April 1, 2001. We note that Transmittal Number A-01-11 indicated that section 212 of BIPA is effective for discharges on or after April 1, 2001, and that further implementing instructions would be forthcoming. We understand that, on the basis of Transmittal Number A-01-11, some intermediaries initiated payments under this provision to hospitals prior to the beginning of the hospital’s first cost reporting period beginning on or after April 1, 2001. In those cases, it will be necessary to recoup any excess payments made for discharges prior to the beginning of the hospital’s first cost reporting period beginning on or after April 1, 2001.

In the final rule, we indicated that a hospital may request MDH status at any time, and that the intermediary will make its determination and notify the hospital within 90 days from the date it receives the hospital’s request and all of the required documentation. If the request is approved, MDH status and the associated payment adjustments are effective 30 days after the date of written notification of approval from the intermediary to the hospital.

We did not address situations where a hospital could not have known of this timetable sufficiently in advance to submit a request in time to attain approval prior to its first cost reporting period beginning on or after April 1, 2001. We recognize that some hospitals may be disadvantaged by the timing of the approval of their MDH status and the beginning of their cost reporting period. Therefore, approval of MDH status for hospitals with cost reporting periods beginning on or after April 1, 2001 and before January 1, 2002, shall be effective as of the date of the beginning of the hospital’s cost reporting period, if the hospital submitted a request to its fiscal intermediary prior to October 1, 2001. For hospitals whose first cost reporting period begins on or after January 1, 2002,

the timetable described in the August 1, 2001 final rule will provide sufficient time to make the determination effective for the beginning of the cost reporting period.

Example One: A hospital with a cost reporting period of July 1 through June 30, submits a complete, written request for MDH status that is received by its intermediary on August 28, 2001. The intermediary considers the hospital's three most recently settled cost reporting periods: 7/1/99 - 6/30/00, 7/1/98 - 6/30/99, and 7/1/97 - 6/30/98, and finds the hospital qualifies as an MDH based on at least two of these cost reporting periods. The intermediary provides written notification of approval to the hospital, within 90 days, on November 26, 2001. The hospital's MDH status is effective with its cost reporting period beginning July 1, 2001, the hospital's first cost reporting period beginning on or after April 1, 2001, because its request for MDH status was received by its intermediary before October 1, 2001.

Example Two: A hospital with a cost reporting period of July 1 through June 30, submits a complete, written request for MDH status that is received by its intermediary on January 2, 2002. The intermediary considers the hospital's three most recently settled cost reporting periods: 7/1/99 - 6/30/00, 7/1/98 - 6/30/99, and 7/1/97 - 6/30/98, and finds the hospital qualifies as an MDH based on at least two of these cost reporting periods. The intermediary provides written notification of approval to the hospital, within 90 days of receipt of the request for MDH status. The hospital's MDH status is effective 30 days after the date of written notification of approval.

Example Three: A hospital with a cost reporting period of January 1 through December 30, submits a complete, written request for MDH status that is received by its intermediary on September 1, 2001. The intermediary considers the hospital's three most recently settled cost reporting periods: 1/1/00 - 12/31/00, 1/1/99 - 12/31/99, and 1/1/98 - 12/31/98, and finds the hospital qualifies as an MDH based on two of three of these cost reporting periods. The intermediary provides written notification of approval to the hospital, within 90 days, on November 29, 2001. The hospital's MDH status is effective with its cost reporting period beginning January 1, 2002, which is the hospital's first cost reporting period beginning on or after April 1, 2001.

Revisions to the Wage Index and Capital Geographic Adjustment Factors (GAF)

The following charts reflect corrections to the average hourly wages (AHW), wage indexes, and capital geographic adjustment factors (GAF), published in Tables 2, 3A, 3B, 4A, 4B, 4C, and 4G, in the August 1, 2001 *Federal Register* (66 FR 39954-40054). We are also making corresponding changes to Table 7 of the July 31, 2001 *Federal Register* publishing the final wage indexes for skilled nursing facilities (SNF) (66 FR 39572). These changes are all effective for discharges occurring on or after October 1, 2001.

TABLE 2

PROVIDER NUMBER	Published AHW	Published 3-Year AHW	Corrected AHW	Corrected 3-Year AHW
320021	19.0457	17.9920	19.1265	18.0172

TABLE 3A

MSA	Published AHW	Published 3-Year AHW	Corrected AHW	Corrected 3-Year AHW
0200 Albuquerque, NM	21.7519	19.8583	21.7721	19.8649

TABLE 4A

MSA	Published Wage Index	Published GAF	Corrected Wage Index	Corrected GAF
0200 Albuquerque, NM	0.9750	0.9828	0.9759	0.9834
3810 Killeen-Temple, TX	0.7714	0.8372	0.7940	0.8539

TABLE 4C

MSA	Published Wage Index	Published GAF	Corrected Wage Index	Corrected GAF
0200 Albuquerque, NM	0.9750	0.9828	0.9759	0.9834
0500 Athens, GA	0.9706	0.9798	0.9702	0.9795
6680 Reading, PA	0.9216	0.9456	0.9312	0.9524

TABLE 4G

MSA	Published Wage Index	Corrected Wage Index
0200 Albuquerque, NM	0.9750	0.9759
3810 Killeen-Temple, TX	0.7292	0.7940

TABLE 7 of the FY 2001 Final Rule for SNFs

MSA	Published Wage Index	Corrected Wage Index
0200 Albuquerque, NM	0.9750	0.9759
3810 Killeen-Temple, TX	0.7292	0.7940

The following charts reflect corrections to Tables 2, 3A, 3B, 4A, 4B, 4C, and 4G, in the August 1, 2001 *Federal Register*, and Table 7 of the July 31, 2001 *Federal Register* publishing the final wage indexes for SNFs, that are effective for discharges occurring on or after December 1, 2001.

TABLE 2

PROVIDER NUMBER	Published AHW	Published 3-Year AHW	Corrected AHW	Corrected 3-Year AHW
110036	20.7284	22.3301	24.9234	23.8107
220002	16.3789	20.4063	24.5840	23.7329
450054	15.8388	20.5562	19.2431	21.6621

TABLE 3A

MSA	Published AHW	Published 3-Year AHW	Corrected AHW	Corrected 3-Year AHW
1123 Boston, MA	25.1952	24.507	25.3946	24.5697
3810 Killeen-Temple, TX	16.2682	19.975	18.8984	20.8512
7520 Savannah, GA	20.6199	20.9278	22.3486	21.4827

TABLE 4A

MSA	Published Wage Index	Published GAF	Corrected Wage Index	Corrected GAF
1123 Boston, MA (for New Hampshire hospitals)	1.1293	1.0868	1.1383	1.0928
3810 Killeen-Temple, TX	0.7714	0.8372	0.8471	0.8926
7080 Salem, OR	1.0033	1.0023	1.0038	1.0026
7520 Savannah, GA	0.9243	0.9475	1.0018	1.0012

TABLE 4C

MSA	Published Wage Index	Published GAF	Corrected Wage Index	Corrected GAF
1123 Boston, MA	1.1293	1.0868	1.1383	1.0928
4890 Medford-Ashland, OR	1.0033	1.0023	1.0038	1.0026
5600 New York, NY	1.4287	1.2767	1.4289	1.2769
5660 Newburgh, NY-PA	1.0797	1.0539	1.0664	1.0450
7520 Savannah, GA	0.9243	0.9475	1.0018	1.0012

TABLE 4G

MSA	Published Wage Index	Corrected Wage Index
1123 Boston, MA	1.1289	1.1378
3810 Killeen-Temple, TX	0.7292	0.8471
7520 Savannah, GA	0.9243	1.0018

TABLE 7 of the FY 2001 Final Rule for SNFs

MSA	Published Wage Index	Corrected Wage Index
1123 Boston, MA	1.1289	1.1378
3810 Killeen-Temple, TX	0.7292	0.8471
7520 Savannah, GA	0.9243	1.0018

Changes to Certain Hospitals' Labor Market Areas

Section 402 of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act (BBRA) of 1999 provided that, with respect to FYs 2001 and 2002, a rural hospital may elect to be treated as being located in a metropolitan statistical area (MSA), if the hospital would qualify under section 1886(d)(8)(B) of the Social Security Act based on March 30, 1990 standards developed by the Office of Management and Budget (instead of standards developed January 3, 1980). In the August 1, 2001 *Federal Register* (66 FR 39869), we identified counties and hospitals affected by this provision for FY 2002.¹ We indicated that we were assuming hospitals would elect to be treated in accordance with the MSA where they would receive the highest payment amount in accordance with section 402, and calculated and assigned the wage indexes accordingly. However, hospitals not electing to use the 1990 standards were required to notify their intermediary in writing of such election prior to September 1, 2001. Several hospitals declined to be treated as being in an MSA under Section 402 and notified their intermediaries in a timely manner.

Section 402 is applicable to both the wage index and the standardized amount designation. Some hospitals were concerned they would lose their special rural designation (i.e., a sole community hospital (SCH) or a MDH) because section 402 now treats them as urban hospitals for the standardized amount. Hospitals that qualify as SCHs under the rural criteria or as MDHs would be in danger of losing their special status unless they elect to decline the urban designation accorded to them under section 402. The August 1, 2001, *Federal Register* (66 FR 39869), assumed hospitals in Schuylkill County, Pennsylvania would be included in the Reading, PA MSA wage index. However, prior to September 1, 2001, provider numbers 39-0181 and 39-0183, elected not to be reclassified under section 402 to the Reading, PA MSA. This change is reflected in the tables above, effective for discharges occurring on or after October 1, 2001.

¹ In Transmittal Number A-01-101, released August 17, 2001, we addressed payment issues related to hospitals affected by this provision for FY 2001.

Provider number 39-0201 is located in Monroe County, Pennsylvania. This hospital was reclassified by the Medicare Geographic Classification Review Board (MGCRB) to the Allentown-Bethlehem-Easton, PA MSA. However, because hospitals in Monroe County are eligible under section 402 of the BBRA to be treated as being located in the Newark, NJ MSA, which has a higher wage index than Allentown, we assumed this hospital would seek to be reclassified to Newark, NJ. However, the hospital elected not to be reclassified to the Newark, NJ MSA, but rather, continue being reassigned for wage index purposes to the Allentown-Bethlehem-Easton, PA MSA. The wage index calculations were unaffected.

The August 1, 2001, *Federal Register* assumed hospitals in Bradford County, Florida would be included in the Jacksonville, FL MSA wage index. However, prior to September 1, 2001, provider number 10-0103, elected not to be reclassified under section 402 to the Jacksonville, FL MSA. The wage index for rural Florida is not affected.

The August 1, 2001, *Federal Register* assumed hospitals in Jackson County, Georgia elected to be included in the Athens, GA MSA wage index. In our calculation of the FY 2002 wage index for hospitals reclassifying into the Athens MSA, we incorrectly treated provider number 11-0130 as being located in Jackson County, and therefore reclassified under section 402 to the Athens MSA. This hospital is not located in Jackson County. Instead, provider number 11-0040, which is actually located in Jackson County, should have been reclassified into the Athens MSA. This change is reflected in the tables above effective for discharges occurring on or after October 1, 2001.

In Transmittal Number A-01-101, we listed hospitals affected by section 402 for FY 2001, and the applicable revised wage indexes. Intermediaries were instructed to issue accelerated payments until the availability of the 10/01 inpatient and outpatient PRICERS. In that PM, we incorrectly listed provider number 11-0130 as being treated as reclassified to the Athens, GA MSA for FY 2001, with a wage index of 0.9739. The correct provider number to receive the Athens, GA MSA FY 2001 wage index should have been 11-0040, not 11-0130.

Also, in Transmittal Number A-01-101, we did not list provider number 34-0126, located in Wilson County, NC, as being reclassified by section 402 to the Rocky Mount, NC MSA. This hospital was reclassified by the MGCRB for FY 2001 and FY 2002 to the Raleigh-Durham-Chapel Hill, NC MSA, for the wage index. It retains this reclassification for wage index purposes, and is considered urban for the standardized amount because of its section 402 reclassification to the Rocky Mount, NC MSA.

Notice of Errors in the ICD-9-CM Information Published in the FY 2002 Final Rule

In the August 1, 2001 *Federal Register*, Table 6 A, page 40064, contained the following typographical errors in code titles:

464.50 supraglottis should be supraglottitis;
 464.51 supraglottis should be supraglottitis;
 779.7 Periventricular should be Periventricular.

Errors in Charts

Also in the August 1, 2001 *Federal Register*, Chart 2, page 39836, code 92.27 Implantation or insertion of radioactive elements is listed as "non-OR in MDC-5" in the Removed from DRG column. Code 92.27 was, and continues to be, an OR procedure as is correctly shown in Chart 5 on page 29841. However, 92.27 was not included within MDC 5 previously. It is being assigned to DRG 517, within MDC 5. Delete "non-or in MDC-5" from chart 2, page 39836 for code 92.27.

In Chart 2, page 39836, MDC 15 was not correctly formatted within this chart. The heading, MDC 15 should have been separated by lines as was MDC 8. In addition, codes 746.08, 764.98, 772.6 and 779.3 are also principal diagnosis codes in DRG 391.

Movement of procedure codes from DRG 468, MDC 6, page 39853. Codes 5123 and 5132 also moved to DRG 171. Add DRG 171 in the Included in DRG column for both of these codes.

Inform hospitals of these changes.

The *effective date* for this Program Memorandum (PM) is noted above for each policy area.

The *implementation date* for this PM is January 7, 2002.

These instructions should be implemented within your current operating budget.

This PM may be discarded after December 1, 2002.

If you have any questions, contact the Division of Acute Care at (410) 786-4548.