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# Program Memorandum

## Intermediaries

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

Transmittal A-02-098

Date: OCTOBER 11, 2002

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### CHANGE REQUEST 2356

#### **SUBJECT: Changes in Transitional Outpatient Payment (TOP) for 2003**

This Program Memorandum (PM) outlines changes in the Outpatient Perspective Payment System (OPPS) for services furnished during calendar year 2003. As of January 1, 2003, TOPs are reduced for all providers except those hospitals that receive hold harmless TOPs (cancer hospitals, children's hospitals, and rural hospitals having 100 or fewer beds). You must revise the monthly interim TOP calculations to reflect the new calculation effective January 6, 2003.

#### **Revised TOP Calculation for Calendar Year 2003:**

The calculation of monthly interim TOPs payments described in PM A-02-026, issued March 28, 2002, is revised as follows for calendar year 2003:

**Step 1** Find the total charges for covered services for all OPPS services on claims paid during the month, reduce the total charges to cost by multiplying them by the outpatient cost-to-charge ratio, and multiply this amount by the provider-specific payment-to-cost ratio (PSPCR).

**Step 2** Find the total Medicare program payments, unreduced coinsurance and deductible applied for all Ambulatory Payment Classifications (APCs), as well as all outlier payments and transitional pass-through payments for drugs, biologicals and/or devices for those same claims paid during the month under OPPS. If the result is greater than the result of step 1, go to step 7. No transitional payment is due this month.

**Step 3** If the hospital is a children's hospital, a small rural hospital with not more than 100 beds or a cancer hospital, go to step 4. If any other type of hospital, divide the result of step 2 by the result of step 1, skip step 4 and perform step 5 or 6, as appropriate.

**Step 4** If the hospital is a children's hospital, a small rural hospital with not more than 100 beds or a cancer hospital subtract the result of step 2 from the result of step 1 and pay .85 times this amount. Do not perform steps 5-6.

**Step 5** If the result of step 3 is greater than or equal to .9 and less than 1.0, subtract the result of step 2 from the result of step 1, multiply the difference by .6, and pay .85 times this amount.

**Step 6** If the result of step 3 is less than .9, multiply the result of step 1 by .06 and pay .85 times this amount.

**Step 7** When the result of step 2 is greater than the result of step 1 for the final month of a provider's cost report period, do nothing more. When the result of step 2 is greater than the result of step 1 for any other month, store all step 1 and step 2 totals and include these totals with the totals for the next month's TOP calculation.

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

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

**These instructions should be implemented within your current operating budget.**

**This PM may be discarded after October 31, 2003.**

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