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# Program Memorandum Intermediaries/Carriers

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

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## CHANGE REQUEST 2486

### **SUBJECT: Medicare Physician Fee Schedule (MPFS) Update and the 2003 Participation Enrollment Process**

The purpose of this Program Memorandum (PM) is to provide guidance to Medicare contractors on processing claims that contain MPFS services beginning January 1, 2003, and the extension of the Participation Enrollment Process. Since the publication of the final regulation was delayed past November 1, 2002, implementation plans for the calendar year (CY) 2003 MPFS have been modified. **The information in this PM must be kept confidential until publication of the final rule.**

**We will send all contractors an email when the final rule is published.**

CMS expects the Physician Fee Schedule Final Rule to be published on or about December 31, 2002. Therefore, we anticipate the final rule to be effective on March 1, 2003. Based on these assumptions we are providing the following instructions.

#### **Carrier Processing Instructions**

In addition to the Medicare Physician Fee Schedule Database File (MPFSDB) that you received in October 2002, CMS has already provided you with an interim file for you to download (refer to the December 10, 2002, CMS joint signature memorandum). This interim file should be used **for paying January and February 2003 service dates processed before March 1, 2003**. (In this context, "processed" is defined as when the claim processes through the point of pricing in the system.) The content of the interim file must remain confidential until the regulation is published in final.

Since the new 2003 rates for services paid under the MPFS will not be effective until March 1, 2003, the following CMS guidelines for claims processing operations from January 1 through February 28, 2003, should be followed:

- The CY 2003 payment rates for services paid under the MPFS will be effective March 1, 2003.
- Claims for MPFS services performed in January and February 2003 that can be processed before March 1, 2003 will be paid at the CY 2002 payment rate, if the MPFS HCPCS code existed in 2002. Physicians/practitioners should be encouraged to submit claims for January and February 2003 dates of service as quickly as possible so that they may be processed before March 1, 2003.
- Claims for January and February 2003 MPFS services that are processed on or after March 1, 2003 will be paid at the CY 2003 payment rate.
- Routine adjustments processed after February 28, 2003, for dates of service January 1 through February 28, 2003, should be paid at the 2002 rate.

- New 2003 MPFS HCPCS codes submitted for services performed January 1, 2003 through February 28, 2003, must suspend in your system. Carriers must hold the entire claim until March 1, 2003 and then pay the services at the 2003 payment rate. Physicians/practitioners should be encouraged not to submit the new CY 2003 MPFS HCPCS codes for services performed during the months of January and February 2003.
- For clean claims that are suspended, interest should be paid, if applicable. Carriers should note that this is a CMS processing delay and, therefore, not subject to contractor performance evaluation (CPE) for claims processing timeliness standards. Contact your regional office to request CPE relief.
- CY 2003 payment amounts for all other services (i.e., services not paid under the physician fee schedule) will be effective January 1, 2003.

**NOTE:** Carriers should continue to price anesthesia services using the 2002 conversion factors and base units for dates of service in CY 2003 for claims processed before March 1, 2003. Calendar year 2003 dates of service will price with the 2003 conversion factors when the new 2003 file is loaded for production beginning March 1, 2003. Any anesthesia claims for January and/or February 2003 dates of service that are processed March 1, 2003 or later should be priced at the 2003 rates and will be automatically adjusted after July 1, 2003.

CMS will provide a corrected 2003 fee schedule file as part of the usual process for correcting errors in the file. This file will be available to contractors on or about January 3, 2003. However, unlike previous correction files, this file is a complete replacement file. The file name of the updated 2003 file and the corrections will be included in CR 2530.

Beginning March 1, 2003 you must price 2003 MPFS services using the MPFSDB replacement file. This file replaces the January 2003 interim file. MPFS services furnished in CY 2003 that are processed on or after March 1, 2003 must be priced and paid using the 2003 rates.

A systems change will be included in the July 2003 quarterly system release that will allow MPFS services with January and February 2003 dates of service that are billed with 2002 HCPCS but paid at the 2003 rates to be automatically adjusted for the additional amounts due based on the 2002 rates. Inform physicians/practitioners that January and February 2003 MPFS services billed with 2002 HCPCS codes but paid at the 2003 rates will be automatically adjusted after July 1, 2003, and they will not need to take further action to receive the adjustment payments.

See Attachment 1 for the schedule of key activities that summarizes the dates described in this instruction.

### **Intermediary Processing Instructions:**

Since the new 2003 rates for services paid under the MPFS will not be effective until March 1, 2003, the following CMS guidelines for intermediary claims processing operations should be followed:

- The CY 2003 payment rates for services paid under the MPFS will be effective March 1, 2003.
- Claims for MPFS services performed in January and February 2003 will be paid at the CY 2002 payment rate with the exception of any new 2003 MPFS HCPCS codes (see bullets below).
- New 2003 HCPCS that are paid under the MPFS (approximately 203 codes) should not be effective until March 1, 2003, in your system. (*This is the official date that*

*should be entered in your system instead of the March 4 date that was indicated in the December 10, 2002 CMS joint signature memorandum.)*

- Encourage your providers **not** to submit the new CY 2003 MPFS HCPCS codes for services performed during the months of January and February 2003. Providers should use the MPFS HCPCS billed in 2002 for January and February 2003 services. In the event that a new CY 2003 HCPCS code that is payable on the physician fee schedule is submitted for services performed in January or February 2003, return the claim to the provider .
- Claims for services performed in March – December 2003, will be paid at the CY 2003 payment rate.
- CY 2003 payment amounts for all other services (i.e., services not paid under the physician fee schedule) are effective January 1, 2003.

All of the Intermediary pricing files which contain prices for services payable under the MPFS, effective March 1, 2003, which were cited in Transmittal A-02-090, published on September 27, 2002 (CR 2346) will be available for retrieval once the final regulation is published. Use these files to pay claims containing services rendered on or after March 1, 2003, that are subject to the MPFS .

### **Physician Participation Enrollment:**

Carriers must mail the disclosure packages, as they currently exist, beginning **January 2, 2003**, after the regulation has been published.

We recognize that these packages are already printed and ready based upon the October 23, 2002, MPFSDB. Extensive outreach and education will be used to inform physicians/practitioners about changes to the participation enrollment period (see below).

Based on the delay of the final rule, CMS is extending participation enrollment. The participation enrollment period will commence on **January 9, 2003 and run through February 28, 2003**. Therefore, physicians and practitioners have at least 45 days to make their participation decision. The participation decision will be effective on January 1 in carrier systems. There will **not** be a separate mailing of a letter or stuffer to notify physicians/practitioners of this extension. See the instructions for doing outreach under the Physician/Practitioner Outreach and Education section of this PM.

Although the participation enrollment period will begin January 9, 2003, the participation agreements are effective January 1, 2003, and physicians and practitioners must bill in accordance with their decision for dates of service on or after January 1, 2003, once they submit an agreement or dis-enrollment request to you. All enrollments or withdrawals for CY 2003 that are received should be recorded within your system as soon as possible to ensure accurate processing of claims for 2003 dates of service. This includes any enrollments/withdrawals received prior to January 9, 2003. Until a timely filed 2003 participation election or withdrawal is received, use the physician's/practitioner's 2002 participation status for processing 2003 claims.

Claims for dates of service on or after January 1, 2003, that are processed prior to your receipt of a CY 2003 participation election or withdrawal should not be routinely reopened/reprocessed. Instructions will be forthcoming on how to handle adjustments based on changes to participation status. Moreover, as of March 1, 2003, the participation status will be irrevocable for calendar year 2003 services.

### **Revised Due Dates for Loading Medicare Participating Physician/Supplier Directories (MEDPARD) and for Reporting Participation Data to CMS:**

The date for loading the 2003 MEDPARD Directories and for reporting Participation Data to CMS is **April 15, 2003**.

### **Physician/Provider Outreach and Education:**

Carriers must (when feasible) post the article in Attachment 2 on their provider education web site immediately after the rule is published and you are notified by CMS of such publication. Use the physicians' electronic mailing list(s) (list-serve) to notify physicians that this important information is available on your web site. If possible, also add language to the narrative portion of the physicians' remittance advice directing physicians to go to the contractor's web site for the information regarding the participation enrollment extension.

In addition, carriers must, when systems allow, place the information listed below on the Automatic Response Units (ARUs) or Interactive Voice Response (IVR) Units for physicians/practitioners as soon as the rule is published. The ARU/IVR message must inform physicians/practitioners that:

- The CY 2003 participation enrollment period will run through February 28, 2003. The effective date for enrollments/dis-enrollments is January 1, 2003;
- The effective date for the 2003 physician fees is **March 1, 2003**;
- any claims for January or February 2003 services that contain new 2003 MPFS HCPCS codes will be held until March 1, 2003;
- MPFS services submitted with 2002 HCPCS codes for services performed in January and February 2003 will be paid at the 2002 rates if processed by February 28, 2003. MPFS services processed on or after March 1, 2003 will be paid based on the 2003 physician fee schedule rates; and
- January and February 2003 MPFS services billed with 2002 HCPCS codes but paid at the 2003 MPFS rates will be automatically adjusted after July 1, 2003, to pay the difference between what was paid and what should have been paid based on the higher 2002 MPFS rates.

Any carrier whose ARU/IVR configuration does not allow a message to be placed at the beginning of a call must notify CMS via email at [servicereports@cms.hhs.gov](mailto:servicereports@cms.hhs.gov).

For those calls not initially handled through the ARU/IVR, the customer service representatives must direct the caller to their web site to get information on the participation enrollment period and physician fee schedule.

Attachment 2 should also be shared with the carrier customer service representatives to answer questions from physicians/practitioners regarding the 2003 physician fee schedule implementation and participation enrollment extension. Share Attachment 2 with state and local medical societies and ask them to post it in their organization's newsletters and web sites. Attachment 3 contains Frequently Asked Questions (FAQs) that must be used for physician/practitioner education efforts. These FAQs must be posted on your web site.

Intermediaries must post information regarding this PM on their web site immediately after the final rule is published and include it in their next newsletter or bulletin. If you have electronic bulletin boards or list-serves that are used to communicate with your provider community, post information to providers using that facility. Providers should be made aware that claims with a January or February 2003 date of service, containing a new 2003 HCPCS code paid under the MPFS, will be returned. They should be advised to bill the HCPCS code previously used during CY 2002 for the service furnished.

CMS will discuss these issues on Open Door Forums. It is very important that extensive provider education begin as soon as possible, after the final rule is published, on the extension dates of the participation enrollment and on the differing rates for January – February 2003 and March – December, 2003.

**Contractors should start making plans for provider education but nothing should be released until the physician fee schedule final rule is published. Contractors should begin extensive provider education right after the publication of the final rule. Contractors will be notified in an email from CMS when the regulation has been published.**

**The *effective date* for this Program Memorandum (PM) is January 1, 2003.**

**The *implementation date* for this PM is December 23, 2002.**

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

**This PM may be discarded after September 30, 2003**

**If you have any questions, contact the appropriate regional office.**

**Attachments (3)**

## Schedule of Key Activities

December 23, 2002	--CR 2486 released to contractors
On or about December 31, 2002	--Regulation is published. Email notification to contractors via CMS.
On or about December 31, 2002	--Contractors' physician/provider outreach begins <b>after the regulation is published.</b>
January 1, 2003	--Implement the interim 2002/2003 MPFSDB. (Carriers) --Implement the 2003 HCPCS for services not paid under the physician fee schedule. (Carriers and FIs) --Pay 2003 rates for services not paid under the physician fee schedule. (Carriers & FIs) --Continue paying 2002 rates for 2002 HCPCS (FIs)
January 1 – February 28, 2003	--Hold claims with New MPFS HCPCS for January through February 28 2003, dates of service (Carriers)  --Return New MPFS HCPCS for January through February 28, 2003 dates of service. (FIs)
January 2, 2003	--Release the Participation Enrollment Packages after the regulation has been published.
January 3, 2003	--Corrections to the October 23 version of the MPFSDB available for carriers to access. Complete replacement file.  --2003 Corrected Pricing Files Available for Intermediaries.
January 9, 2003	Participation enrollment period begins. (Carriers)
February 28, 2003	Participation enrollment period ends. (Carriers)
March 1, 2003 (FIs only)	--Implement 2003 rates for services payable under the MPFS --New 2003 HCPCS that are paid under the MPFS (approximately 203 codes) are effective.
March 1, 2003 (Carriers only)	--Implement the January 3, 2003 MPFS correction file which is a complete replacement file. (Note that the naming convention of the file reflects a December 16 date.) --Implement the CY 2003 rates for services paid on the physician fee schedule. --Begin to process any MPFS services for new HCPCS being held.
April 15, 2003	--Load MEDPARD Directories and report Participation Data to CMS. (Carriers)
July 2003	--CMS Quarterly Release will enable adjustments for incremental payment of January and February 2003 services billed with 2002 HCPCS that are processed after February 28, 2003 as well as adjustments based on changes in participation status. (Carriers)

## CY 2003 Physician Fee Schedule Implementation

The Physician Fee Schedule (PFS) regulation was published on or about December 31, 2002, with a March 1, 2003, effective date. Unfortunately, under current law, the 2003 fee schedule includes a negative update. This negative update reflects a defect in the statutory formula for computing the sustainable growth rate, which has been affected by unanticipated changes in economic conditions. Regrettably, the Centers for Medicare & Medicaid Services does not have the legal authority to correct this flaw. The Administration has worked with Congress throughout 2002 to correct the provision of law, which results in the reduction in physician payments. The Administration will continue to work with Congress to make changes that could have a positive impact on physician payments in the coming years. Given this commitment, we hope that physicians/practitioners will choose to participate in the Medicare program in 2003, and into the future.

Since the publication of the final regulation was delayed past November 1, 2002, implementation plans for the CY 2003 PFS have been modified. Specifically:

- The participation enrollment period will commence on January 9, 2003, and run through February 28, 2003. The material will be released by the Part B carriers on or about January 2, 2003 to ensure delivery by January 9. Physicians/practitioners will have until February 28, 2003 to make their participation decision. **Please note that this enrollment period differs from what you will see in mailed materials. This is because the enrollment materials were printed before this change.**
- The CY 2003 payment rates for physician/practitioner services will be effective March 1, 2003.
- Claims for physician/practitioner services in January and February 2003 that are processed before March 1, 2003 will be paid at the CY 2002 payment rates.
- Claims for physician/practitioner services in January and February 2003 that cannot be processed before February 28, 2003, will be paid at the CY 2003 payment rates. Therefore, physicians/practitioners are encouraged to submit January and February claims to their carriers as quickly as possible.
- Beginning in July 2003, MPFS services with January and February 2003 **dates of service** and with 2002 HCPCS will be processed and paid at the 2002 rates. MPFS services for January and February 2003 services paid at the 2003 rates (because they were processed March 1, 2003 or later), will be automatically adjusted by Medicare carriers in July 2003. These automatic adjustments will pay the difference between what was paid and what should have been paid for January and February 2003 MPFS services based on the 2002 rates. Physicians/practitioners will be reminded about this change for July 2003 in a subsequent announcement. Further information on adjustments for changes in participation status will be forthcoming.
- Physicians/practitioners are encouraged not to use the new CY 2003 HCPCS codes for MPFS services performed during the months of January and February 2003. Those services should be submitted with the HCPCS codes used to bill them during CY 2002. If the new HCPCS codes are submitted before March 1, 2003, carriers will hold claims until March 1, 2003 and then pay the code at the 2003 rate.

(Note that fiscal intermediaries will return claims to providers for services performed in January and February 2003 that contain new 2003 HCPCS codes that are payable on the physician fee schedule. Providers are encouraged to use the HCPCS previously used in CY2002 to bill for the service furnished.)

- Physicians/practitioners should bill January and February 2003 services separately from services for other time periods. In addition, if a January or February 2003 service must be billed with a new HCPCS, it should be billed on a separate claim so that other services, with 2002 HCPCS, will not be held.
- The CY 2003 payment amounts for all other services (i.e., services not paid under the physician fee schedule) are effective January 1, 2003.



**Frequently Asked Questions**

- Q. When was the Physician Fee Schedule Regulation published in final?  
A. The regulation was published on or about December 31, 2002.
- Q. Will the participation enrollment period be extended for the physicians?  
A. Yes. The participation enrollment period will be extended. The period will start on January 9, 2003 and run through February 28, 2003. The effective date of the agreement will be January 1, 2003.
- Q. When will the new rates be effective for physician services?  
A. The new rates for services paid on the physician fee schedule will be effective on March 1, 2003.
- Q. If new rates are effective March 1, 2003, why will January and February services processed after February 28 be paid at lower 2003 rates?  
A. It is CMS' objective to pay claims accurately, at the appropriate rate based upon the final rule published on or about December 31, 2002. To meet this objective in the short time frames before us, it is essential that we have sufficient time to program and test Medicare systems. Using the "date processed" versus "date of service" for January and February 2003 services enables Medicare to succeed in paying claims accurately with minimal disruption to the processing and payment of ALL Medicare provider claims. This is why we encourage physicians/practitioners to submit their claims for January and February 2003 services as quickly as possible. We are hopeful that most January and February 2003 services will be submitted and processed before March 1, 2003.
- Q. When will the new 2003 HCPCS be implemented?  
A. For 2003 HCPCS paid on the physician fee schedule the effective date is March 1, 2003. The 2003 HCPCS will be implemented on January 1, 2003, for services not paid on the physician fee schedule.
- Q. How should physicians bill for services if the 2003 physician fee schedule HCPCS are not effective until March 1, 2003?  
A. Any claims received for January or February 2003 services paid on the physician fee schedule that contain a new 2003 HCPCS physician service code will be held by Medicare carriers and processed on March 1, 2003. Physicians can either submit their claim and it will be held or hold the claims and submit on or after March 1, 2003. (Note that fiscal intermediaries will return claims to providers for services performed in January or February 2003 that contain new HCPCS codes that are payable on the physician fee schedule. Providers are encouraged to bill the HCPCS code used during CY 2002 for January and February 2003 services.)
- Q. Are January and February 2003 anesthesia services also affected?  
A. Yes, 2003 anesthesia services are affected. Any new 2003 anesthesia codes submitted for January or February dates of service will be held until March 1, 2003. Anesthesia claims (not containing new anesthesia codes) for January or February 2003 dates of service will be priced at the 2002 payment rates if processed before March 1, 2003.
- Q. Will Congress correct the defect in the formula for future years?  
A. The Administration will continue to work with Congress to make changes that could have a positive impact on physician payments in the future years.