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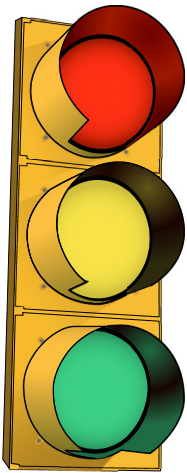
MMA-Special Rules for Critical Access Hospital (CAH) Outpatient Billing

Provider Types Affected

Critical Access Hospitals (CAHs).

Provider Action Needed

CAHs need to be aware of some key changes resulting from the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA).



STOP – Impact to You

The percentage of reasonable cost, as the basis for CAH outpatient services has increased, while the notification time for the election of payment methodology has decreased. Additionally, a CAH may now hold more hospital beds.

CAUTION – What You Need to Know

The percentage of reasonable cost as the basis for reimbursement was raised to 101% of reasonable cost (up from 100%), while the notification time for election of payment methodology (for the Standard or Optional Payment Method) was decreased from 60 days to 30 days. Additionally, the limit for CAH inpatient beds was increased from 15 to 25 beds.

GO – What You Need to Do

Note these changes. Refer to the Additional Information section for more information about the Standard and Optional payment methods and for access to the original CR.

Background

Under previous law, CAHs were paid reasonable costs for outpatient services. The MMA, section 405(e), amended that law to ensure that, if the CAH elected the standard method of payment, then payment to CAHs for outpatient services would be made at 101% of the reasonable costs of those services, after application of deductible and coinsurance provisions. In addition, the CAH must choose whether they wish to be reimbursed according to the Standard or Optional payment methodology. If the CAH opts for the

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Optional Method, the election must be made in writing 30 days prior to the affected cost reporting period. This must be done for each cost reporting period; otherwise the Standard Payment Method will be used.

Additional Information

The following is a brief description of the Standard and Optional Payment Methods.

Standard Payment Method

CAH outpatient services will be reimbursed at the lesser of:

1. **80% of 101%** (up from 100% as of Jan. 1, 2004) of reasonable cost for CAH services,
- OR**
2. **101%** of reasonable cost for CAH services, less the applicable Part B deductible and coinsurance amounts.

Optional (Elective) Payment Method (Services Furnished On or After July 1, 2001)

CAH outpatient services' reimbursement will be the **sum** of: Physician/Professional Services + Outpatient Services (excluding ASC type services).

1. Physician/Professional Services - 115% of what would be paid under the physician fee schedule (after applicable deductions) for physician outpatient services and 115% of 85% of the allowable amount for non-physician practitioner professional services.

AND

2. Outpatient Services - 101% of the reasonable costs of the services. The lesser of: 80% of **101%** (up from 100% as of Jan. 1, 2004) of reasonable cost for CAH services.

OR

3. **101%** of reasonable cost for CAH services, less the applicable Part B deductible and coinsurance amounts.

For a more detailed comparison of the two payment methods, please refer to Chapter 4 of the Medicare Claims Processing Manual (Pub 100-04), sections 250.1 and 250.2. This table of contents for this Manual may be found at:

http://www.cms.hhs.gov/manuals/104_claims/clm104index.asp.

Once at this site, scroll down to Chapter 4 and select the version of Chapter 4 that you wish to view.

The official instruction issued to your carrier regarding this change may be found at:

http://www.cms.hhs.gov/manuals/transmittals/comm_date_dsc.asp.

Once at that web page, look for 3051 in the CR NUM column on the right and click on the file for that CR.

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