
Program Memorandum Intermediaries/Carriers

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

Transmittal AB-02-117

Date: AUGUST 7, 2002

CHANGE REQUEST 2303

SUBJECT: Transition Schedule for Implementation of the Ambulance Fee Schedule

SCOPE

This Program Memorandum (PM) notifies fiscal intermediaries (FI) and carriers to update the blended rates for the ambulance fee schedule during the transition schedule.

BACKGROUND

On April 1, 2002, CMS implemented a new fee schedule that applies to all ambulance services, including volunteer, municipal, private, independent, and institutional providers, i.e., hospitals, critical access hospitals, and skilled nursing facilities. The fee schedule was effective for claims with dates of service on or after April 1, 2002. Under the fee schedule, ambulance services covered under Medicare will be paid based on the lower of the actual billed amount or the ambulance fee schedule amount.

As discussed in previous PMs, the fee schedule will be phased in over a 5-year period. When fully implemented, the fee schedule will replace the current retrospective reasonable cost reimbursement system for providers and the reasonable charge system for ambulance suppliers.

This PM notifies FIs and carriers of the transition schedule and of the necessity to update the transition percentages effective each January 1 of 2003, 2004, 2005, and 2006.

POLICY

The ambulance fee schedule is subject to a 5-year transition period as follows:

| <u>Year</u> | <u>Fee Schedule Percentage</u> | <u>Cost/Charge Percentage</u> |
|---------------------------------|--------------------------------|-------------------------------|
| Year 1 (4/1/02 – 12/31/02) | 20% | 80% |
| Year 2 (CY 2003) | 40% | 60% |
| Year 3 (CY 2004) | 60% | 40% |
| Year 4 (CY 2005) | 80% | 20% |
| Year 5 (CY 2006 and thereafter) | 100% | 0% |

The foregoing schedule signifies that, during the transition schedule, the Medicare allowed amount for ambulance services, mileage, and separately billable supplies will comprise a blended rate. The blended rate will include a portion of the fee schedule, and a portion of the provider's reasonable cost or the supplier's reasonable charge. (For providers billing ambulance services to FIs, all supplies and services rendered are considered part of the base rate and are not separately billable under the ambulance fee schedule. For Part B suppliers billing ambulance services, separately billable supplies may be billed, depending on the supplier's billing method.)

During Year 1, the fee schedule amount will comprise only 20 percent of the blended amount and the remaining 80 percent of the blended amount will be based on the provider's reasonable cost or the supplier's reasonable charge. During Year 2, the fee schedule amount will comprise 40 percent of the blended amount and the provider's reasonable cost or the supplier's reasonable charge will

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comprise the remaining 60 percent. During Year 3, the fee schedule amount will comprise 60 percent of the blended amount and the provider's reasonable cost or the supplier's reasonable charge will comprise the remaining 40 percent. During Year 4, the fee schedule amount will comprise 80 percent of the blended amount and the provider's reasonable cost or the supplier's reasonable charge will comprise the remaining 20 percent. Beginning with Year 5, i.e., for services and supplies furnished, and mileage incurred, beginning January 1, 2006, and each year thereafter, the full fee schedule comprises the entire Medicare allowed amount and no portion of the provider's reasonable cost or the supplier's reasonable charge shall be considered.

IMPLEMENTATION

For the implementation steps below, only suppliers using certain billing methods may bill separately for ambulance supplies and ancillary services during the transition period. For providers billing ambulance services to FIs, all supplies and services rendered are considered part of the base rate and are not separately billable under the ambulance fee schedule.

1. For ambulance services and supplies furnished, and mileage incurred on or after January 1, 2003 through December 31, 2003, determine the Medicare allowed amount on the basis of 40 percent of the national fee schedule amount, and 60 percent of the provider's reasonable cost or the supplier's reasonable charge.
2. For ambulance services and supplies furnished, and mileage incurred on or after January 1, 2004 through December 31, 2004, determine the Medicare allowed amount on the basis of 60 percent of the national fee schedule amount, and 40 percent of the provider's reasonable cost or the supplier's reasonable charge.
3. For ambulance services and supplies furnished, and mileage incurred on or after January 1, 2005 through December 31, 2005, determine the Medicare allowed amount on the basis of 80 percent of the national fee schedule amount, and 20 percent of the provider's reasonable cost or the supplier's reasonable charge.
4. For ambulance services and supplies furnished, and mileage incurred on or after January 1, 2006, and thereafter, determine the Medicare allowed amount solely on the basis of the national fee schedule amount.
5. Deny claims for separately billable supplies for supplies furnished on or after January 1, 2006.
6. Download from the CMS mainframe via CONNECT: Direct and install as appropriate the ambulance fee schedules for 2003, 2004, 2005, and 2006, respectively, as such file becomes available.
7. Otherwise adhere to and be guided by the provisions of previous PMs regarding the ambulance fee schedule unless an instruction is directly and expressly contradicted by these instructions.

PROVIDER EDUCATION

Notify providers and suppliers through standard media, in advance of each year of the transition, of the ambulance fee schedule transition schedule, and of the percentages applicable to the blended allowed amount for each remaining year of the transition.

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

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

Funding is available through the regular budget process for costs required for implementation.

This PM may be discarded after December 31, 2006.

If you have any questions, contact your Regional Office.