Medicare: Today's Issue
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BETTER BENEFITS – MORE CHOICES

Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!

Medicare Payment for Ambulance Services

Payment for Rural and Urban Ambulance Services

Background

Historically, ambulance payment was based on "reasonable charges" (for independent suppliers) or "reasonable cost" (for hospital-based entities). The Balanced Budget Act of 1997 (BBA) required the Secretary to develop (through negotiated rulemaking) a national fee schedule for ambulance services, to replace these prior methods. Transition to the fee schedule began April 1, 2002. During the transition period, payment is based on a blend of a provider's old method and the fee schedule rates, with the fee schedule portion increasing to 100 percent beginning in 2006.

The fee schedule amount includes a geographically adjusted base rate (for each level of ambulance service) plus a mileage payment (with an extra 50 percent added to the first 17 miles for ground transports originating in a rural area, and to total payment for rural air transports). The BBA stipulated that aggregate payments during the fee schedule's first year could not exceed the aggregate payments that would have been made under the former methods.

New Provisions

The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 includes the following new provisions affecting payment for Medicare ambulance services, effective July 1, 2004:

- Establishes an alternate fee schedule phase-in formula for certain providers, in which the fee schedule portion of the blended rate is based on a specified blend of a regional fee schedule and the regular (national) fee schedule. To establish the regional fee schedules, CMS will calculate rates for each level of ground ambulance service for each of nine census regions, using the same method as used to calculate the original fee schedule. If the alternate phase-in formula for a region would result in higher payment, then all providers in that region would be paid under that formula (and their phase-in would last four additional years, through 2010).

- Increases mileage payments for ground ambulance trips over 50 miles (for mile 51 and beyond) by ¼ (25 percent) of the payment per mile otherwise applicable to the trip, through 2008.

- Directs the Secretary to provide a percentage increase in the base payment rate for ambulance trips that originate in a rural area with a population density in the lowest quartile of all rural county populations, through 2009. To establish the percentage increase, the

Secretary will estimate the average cost per trip (not including mileage) in the lowest quartile as compared to the average cost in the highest quartile of all rural county populations.

- Increases payment for rural ground ambulance services by 2 percent, and payment for non-rural ground ambulance services by 1 percent, through 2006. Such increases will not be taken into account in calculating payments in subsequent years.

The MMA also mandates a GAO report on how costs differ among different types of ambulance providers, and on accessibility, supply, and quality of ambulance services in areas in which payment is reduced under the ambulance fee schedule. An initial report is due December 31, 2005, and a final report is due December 31, 2007.

Coverage of Rural Air Ambulance Services

Background

Medicare covers ambulance services only when other forms of transportation are not appropriate for medical reasons. Payment may be made for an *air* ambulance (either fixed wing or helicopter) when transport by ground is not possible or would pose a risk to the patient's health. Claims for air ambulance services that are not found to meet these standards may be denied or downgraded to the ground ambulance payment rate.

New Provision

The MMA requires regulations to provide that, if any ambulance service would be covered by Medicare, a rural air ambulance service will be reimbursed at the air ambulance rate if the service (1) is reasonable and necessary based on the patient's condition at or immediately prior to transport, and (2) meets equipment and crew requirements established by the Secretary.

A rural air ambulance service is *deemed* medically necessary when it is (1) requested by a physician or other qualified person (as specified by the Secretary) who reasonably determines that land transport would threaten the patient's survival or health, or (2) furnished pursuant to a State or regional EMS agency protocol recognized by the Secretary under which use of an air ambulance is recommended (unless such agency has an ownership interest in the entity furnishing the service).

In most cases, the presumption of medical necessity does not apply if there is a financial or employment relationship between the person requesting the air ambulance (or an immediate family member of such person) and the entity furnishing the service, or an entity under common ownership with the entity furnishing the service.

This provision is effective January 1, 2005.