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Implementation Date: N/A

MMA - CMS to Increase Payments to Hospitals Reclassified Under Medicare Reform Law

Provider Types Affected

Hospitals

Provider Action Needed



STOP – Impact to You

This Special Edition concerns the increase of payments to hospitals reclassified geographically under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA).



CAUTION – What You Need to Know

The Centers for Medicare & Medicaid Services (CMS) announced that 121 hospitals in 25 states have been geographically reclassified, and each will begin receiving higher payments retroactive to April 1, 2004 for patients who were discharged on or after April 1, 2004.



GO – What You Need to Do

Refer to the *Background* and *Additional Information* sections of this instruction for further details regarding these changes.

Background

Medicare pays hospitals for inpatient services provided to Medicare beneficiaries according to the inpatient prospective payment system (IPPS), and payment under the IPPS is based on the average cost of treating patients with a similar diagnosis. However, the actual amount received by a hospital for a particular case depends on a number of factors, including the geographic area in which the hospital is located. As a general rule, hospitals in urban areas, as defined by the Census Bureau's Metropolitan Statistical Areas (MSAs), are paid at a higher rate than those in rural areas.

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Under Section 508 of the MMA, Congress directed CMS to create a one-time-only appeals procedure for certain hospitals that were deemed to be in need of financial relief, but fell just outside Medicare's existing criteria for reclassification from their current geographic areas into an adjoining area with higher payment rates.

The MMA was signed by President Bush on December 8, 2003, and CMS published a notice in the January 6, 2004 Federal Register (Vol. 69, No. 3) defining the criteria hospitals must meet to be eligible for the appeals process authorized by the MMA. In a notice issued in the February 13, 2004 Federal Register (Vol. 69, No. 30), CMS further clarified the criteria hospitals must meet and made technical corrections to the January notice.

Nearly 550 hospitals appealed for geographic reclassification by the February 15 deadline based on one or more of the eight criteria established by CMS, and the decision regarding their reclassification was made by the Medicare Geographic Classification Review Board. Within CMS, this independent panel is responsible for geographic classification appeals under the general criteria in the regulations.

On April 20, 2004 CMS announced that 121 of these hospitals (covering 25 states) were geographically reclassified, and each hospital will begin receiving higher payments under the special one-time-only provision in the MMA. The higher payments will be retroactive to April 1, 2004 for patients who were discharged on or after April 1, 2004 and before April 1, 2007.

Additional Information

The CMS press release, "CMS to Increase Payments to Hospitals Reclassified Under Medicare Reform Law," can be found at <http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1015> on the CMS website.

Federal Register, Vol. 69, No. 3, CMS Notice "One-Time Appeal Process for Hospital Wage Index Classification," issued Tuesday, January 6, 2004, can be found at <http://www.cms.hhs.gov/quarterlyproviderupdates/downloads/CMS4065N.pdf> on the CMS website.

In addition, Federal Register, Vol. 69, No. 30, CMS Notice "Medicare Program; Revisions to the One-Time Appeal Process for Hospital Wage Index Classification," issued February 13, 2004 can be found at <http://www.cms.hhs.gov/quarterlyproviderupdates/downloads/CMS1373N2.pdf> on the CMS website.

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