



Related MLN Matters Article #: MM3966

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Related Change Request: 3966

### *Inpatient Prospective Payment System (IPPS) Outlier Reconciliation*

#### Key Words

CR3966, MM3966, R707CP, IPPS, Reconciliation, Outlier, CCR, Payment, Pricer, Non-PPS, Hospital, Prospective

#### Provider Types Affected

Hospital billing services paid under the IPPS to Medicare fiscal intermediaries (FIs)

#### Key Points

- The effective date of the instruction is November 7, 2005.
- The implementation date is November 7, 2005.
- The Social Security Act, under Section 1886(d)(5)(A), provides basic Medicare prospective payments to Medicare-participating hospitals and additional payments for cases incurring extraordinarily high costs.
- The additional payments are known as "Outlier Payments," and are designed to protect the hospital from large financial losses due to unusually expensive cases.
- To qualify for an Outlier Payment, a case must have costs above a fixed-loss cost threshold amount, which is:
  - The dollar amount by which the costs of a case must exceed payments in order to qualify for outliers; and
  - Published in the annual Inpatient Prospective Payment System (IPPS) Final Rule, which can be found at <http://www.cms.hhs.gov/QuarterlyProviderUpdates/downloads/cms1500f.pdf> on the Centers for Medicare & Medicaid Services (CMS) web site.
- The actual determination of whether a case qualifies for Outlier Payments is made by the FI using a software program called Pricer.
- The Pricer program makes all outlier determinations except for the medical review determination.
- Effective November 7, 2005, for hospitals that merge, the Medicare FI will continue to use the operating and capital Cost-to-Charge Ratios (CCRs) from the hospital with the "surviving" provider number.

- Effective November 7, 2005, if hospitals merge and a new provider number is issued, FIs will use the statewide average CCR because a new provider number indicates the creation of a new hospital.
- A hospital may request that its FI use a different (higher or lower) CCR based on substantial evidence presented by the hospital.
- Effective for discharges occurring on or after August 8, 2003, Outlier Payments may be adjusted at the time of reconciliation to account for the time value of any underpayments or overpayments.
- Any adjustment will be based on a widely available index, which is the monthly rate of return that the Medicare trust fund earns, and applied from the midpoint of the cost reporting period to the date of reconciliation.

## Important Links

The related MLN Matters article can be found at

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM3966.pdf> on the CMS web site.

The official instruction issued to the provider's intermediary regarding this change may be viewed at

<http://www.cms.hhs.gov/Transmittals/downloads/R707CP.pdf> on the CMS web site.

All 42 CFR 412 (Title 42 (Public Health), Chapter IV (CMS & HHS), Part 412 (IPPS)) regulations can be viewed at the following Government Printing Office (GPO) web site:

[http://www.access.gpo.gov/nara/cfr/waisidx\\_04/42cfr412\\_04.html](http://www.access.gpo.gov/nara/cfr/waisidx_04/42cfr412_04.html).

For a more detailed explanation on the calculations (including examples) of Outlier

Payments, go to [http://www.cms.hhs.gov/AcuteInpatientPPS/04\\_outlier.asp#TopOfPage](http://www.cms.hhs.gov/AcuteInpatientPPS/04_outlier.asp#TopOfPage) on the CMS web site.

The annual IPPS Proposed and Final Rule, which includes statewide average CCRs in Tables 8A and 8B, can be reviewed at and downloaded from

<http://www.cms.hhs.gov/QuarterlyProviderUpdates/downloads/cms1500f.pdf> on the CMS web site.

For a detailed list of cost-to-charge ratios by provider and by federal Fiscal Year, download the impact files from the CMS public use file web site at <http://www.cms.hhs.gov/AcuteInpatientPPS/> on the CMS web site.

If providers have any questions, they may contact their intermediary at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS web site.