



Related MLN Matters Article #: MM4367

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Related CR #: 4367

### *Changes in Transitional Outpatient Payments (TOP) for Rural Sole Community Hospitals (SCH) and Small Rural Hospitals for 2006*

#### Key Words

MM4367, CR4367, R877CP, Transitional, Outpatient, Payments, TOP, Rural, Hospitals, SCH

#### Provider Types Affected

Providers (hospitals) billing Medicare Fiscal Intermediaries (FIs)

#### Key Points

- The effective date of the instruction is January 1, 2006.
- The implementation date is March 6, 2006.
- In accordance with the provisions of the Deficit Reduction Act (DRA), hold harmless TOPs will continue for services rendered through December 31, 2008, for rural hospitals having 100 or fewer beds that are not SCHs.

#### Interim TOP Payments

- The interim TOP payments for these hospitals will continue to be calculated as 85 percent of the hold harmless amount; that is:  $TOP = 0.85 \times (\text{Hold Harmless Amount})$
- The hold harmless amount is the amount by which the provider's charges **times** the cost-to-charge ratio (CCR), **times** the payment-to-cost ratio (PCR) exceeds the provider's OPPS payments; that is:  $TOP = 0.85 \times [((\text{Provider's charges} \times \text{CCR} \times \text{PCR}) - \text{Provider's OPPS payments})]$ .

#### Definition of SCHs in Rural Areas

- For purposes of receiving TOPs and interim TOPs, a hospital will be treated as an SCH located in a rural area if the hospital qualifies as both:
  - A rural hospital having 100 or fewer beds and
  - A sole community hospital (SCH) located in a rural area.

- These hospitals are not eligible for TOPs for services furnished on or after January 1, 2006.
- For purposes of TOPs, a hospital is considered **rural** if it is either:
  - Geographically rural or
  - Classified as rural for wage index purposes.
- For purposes of TOPs:
  - A hospital that is geographically rural is **always considered rural**, even if it is reclassified to urban for wage index purposes; or
  - If a hospital is urban, but reclassified to rural for the wage index, it is **considered rural**.
- FIs will use the Inpatient Provider Specific File (IPSF) to determine if a hospital is rural.
- The Centers for Medicare & Medicaid Services (CMS) is also instructing the FI to ensure that all qualified rural hospitals have:
  - A PCR and CCR entered in their Outpatient Provider Specific File (OPSF) and
  - Receive interim TOPs payments retroactive to January 1, 2006.

## Important Links

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM4367.pdf>

<http://www.cms.hhs.gov/Transmittals/downloads/R877CP.pdf>

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