



# MLN Matters®



Information for Medicare Fee-For-Service Health Care Professionals

Related Change Request (CR) #: 3800

MLN Matters Number: MM3800

Related CR Release Date: April 22, 2005

Related CR Transmittal #: 530

Effective Date: January 5, 2004 – HPSA Bonus  
January 3, 2005 – Physician Scarcity  
July 1, 2001 – Physicians Services

Implementation Date: July 5, 2005

## *Billing Requirements for Physician Services Rendered in Method II Critical Access Hospitals (CAHs) – Replacement of CR 3559*

**Note:** This article was updated on February 7, 2013, to reflect current Web addresses. All other information remains unchanged.

### Provider Types Affected

Critical Access Hospitals (CAHs) billing Medicare Fiscal Intermediaries (FIs) for physician services

### Provider Action Needed



#### **STOP – Impact to You**

The Centers for Medicare & Medicaid Services (CMS) is adding/changing billing requirements for CAHs that bill Medicare FIs for physician services that are rendered in a Method II CAH facility.



#### **CAUTION – What You Need to Know**

Physician Services rendered in Method II CAHs are to be paid using the appropriate facility fee schedule amount from the Medicare Physician Fee Schedule and such services may be eligible for additional bonus payments depending on where the services are performed.



#### **GO – What You Need to Do**

To assure accurate payments, be aware of the changes discussed in this instruction.

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.

## Background

Physician services that are rendered in a CAH facility and billed under Method II should be paid using the appropriate facility fee schedule amount from the Medicare Physician Fee Schedule. To assure accurate payments, CMS will modify the billing requirements as follows:

- The first change under CR 3800 is to correct the Type of Bill (TOB) to be used in billing for these services. CR 3262, Transmittal 262, dated July 30, 2004, stated incorrectly, 72x as the TOB for CAH outpatient. The correct TOB for a CAH for outpatient services is 85x.
- Some physician services submitted by CAHs using Method II billing have been paid incorrectly, because Medicare FIs make payments based on the supplemental Medicare Physicians Fee Schedule file, which contained only non-facility fee schedule amounts. Under Method II, physician services are paid to the CAH at 115% of the applicable Medicare Physician Fee Schedule (MPFS) payment amount. CMS will assure that the FIs make payments based on the MPFS facility rate for the applicable Health Care Common Procedure Codes System (HCPCS) codes.
- Section 413 of the Medicare Modernization Act (MMA) established an additional 5% payment for services rendered in a PSA and required the automation of the Health Professional Shortage Area (HPSA) incentive payment. CAHs can have outpatient departments that are off-site (not physically located in the hospital).

Presently, there is no way to differentiate the offsite outpatient department bill from the CAH bill. Therefore, bonus payments are not being made for services rendered in the off-site outpatient department if its location differs from that of the CAH itself. To correct this, CMS has established that the address and zip code will be used to identify off-site outpatient departments of CAHs. To remedy this situation, when billing for reassigned benefits from physicians/professionals for services rendered, the CAH must place the address and zip code of the actual place of service on the claim in the 2310E loop of the 8371 for electronic claims and in the "Remarks" field for hard copy UB-92 claims and on DDE claims. However, the zip code placement will be determined by the FIs for hardcopy and DDE claims.

- CMS is clarifying, in its Medicare Claims Processing Manual (Section 30.1.1), that CAHs are exempt from the payment window provisions that bundle outpatient services into inpatient payments when the outpatient services occur within the 1 and 3 day window prior to an inpatient stay. Because CAHs are exempt from the 1- and 3-day window provisions, services rendered by a CAH to a beneficiary who is an outpatient prior to that beneficiary's admission to the CAH as an inpatient are not bundled on the inpatient bill. Outpatient CAH services must be billed as such, and on a separate bill (85x TOB) from inpatient services. Outpatient services rendered on the date of admission to an inpatient setting are still billed and paid separately as outpatient services in a CAH.

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## Additional Information

See the following MLN Matters Special Editions and Articles for a detailed review of revisions to the Health Professional Shortage Area and implementation of the Physician Scarcity Area (PSA) bonus payments:

SE0453 titled, Proposed Implementation of the Physician Scarcity Bonus and Revision to the Health Professional Shortage Area (HPSA). This article can be found at <http://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnmattersarticles/downloads/SE0453.pdf> on the CMS website.

SE0449 titled, Physician Education for the Revisions to the Health Professional Shortage (HPSA) Bonus Payment Processes and Implementation of the Physician Scarcity Area (PSA) Bonus Payments. This article can be found at <http://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnmattersarticles/downloads/SE0449.pdf> on the CMS website.

MM3336 titled, Bonus Payments for Services in Health Professional Shortage Areas (HPSAs). This article can be found at <http://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnmattersarticles/downloads/MM3336.pdf> on the CMS website.

The official instruction issued to your intermediary regarding this change may be found at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R530CP.pdf> on the CMS website.

If you have questions, contact your intermediary at their toll free number, which may be found at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html> on the CMS website.

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