

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



News Flash – The Centers for Medicare & Medicaid Services (CMS) has posted 18 new FAQs about HIPAA version 5010 implementation, and one PDF document containing 27 Q&As specific to the Wednesday, March 30, CMS-hosted 5010 national provider teleconference on provider testing and readiness. To review these FAQs, visit the CMS FAQ database at <http://questions.CMS.hhs.gov> and search for “5010.” For more information, you can also go to http://www.cms.gov/Versions5010andD0/downloads/033011_National_Call_Resource_Mailbox_Qs_and_As.pdf on the CMS website.

MLN Matters® Number: MM7404

Related Change Request (CR) #: 7404

Related CR Release Date: May 27, 2011

Effective Date: October 1, 2010

Related CR Transmittal #: R2232CP

Implementation Date: October 3, 2011

Critical Access Hospital (CAH) Optional Method Election for Outpatient Services

Provider Types Affected

Critical Access Hospitals (CAHs) paid under the optional method election (Method II) submitting claims for outpatient services to Fiscal Intermediaries (FI) and A/B Medicare Administrative Contractors (A/B MAC) are affected by this article.

What You Need to Know

Prior to a change made in the Fiscal Year (FY) 2011 Inpatient Prospective Payment System (IPPS) final rule, if a CAH chose to be paid under the optional method (Method II), it was required to make that election on an annual basis.

However, in the FY 2011 IPPS final rule, the Centers for Medicare & Medicaid Services (CMS) changed the regulations for the optional method election.

- Effective for cost reporting periods beginning on or after October 1, 2010, if you elected the optional method in your most recent cost reporting period beginning before October 1, 2010, that election remains in place until you submit a termination request to your FI or A/B MAC. You will no longer be required to make an annual election.

Disclaimer

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- Effective for cost reporting periods beginning on or after October 1, 2010, if you had not elected the optional method in your most recent cost reporting period beginning before October 1, 2010, and wish to elect the optional method or you had elected that method in your most recent cost reporting period beginning before October 1, 2010, but had terminated that election, and you wish to re-elect the optional method, that election remains in place until you submit a termination request to your FI or A/B MAC. You will no longer be required to make an annual election.
- Effective for cost reporting periods beginning on or after October 1, 2010, if you choose to terminate your optional method election, you must submit a termination request to your FI or A/B MAC at least 30 days prior to the start of the next cost reporting period.
- Effective for cost reporting periods beginning on or after October 1, 2010, if you had not been paid under the optional method in your most recent cost reporting period beginning before October 1, 2010, or had been paid using the optional method in your most recent cost reporting period beginning before October 1, 2010, but had terminated that election, and you choose to be paid under the optional method on or after October 1, 2010, you must make this election in writing and that election must be delivered to your FI or A/B MAC at least 30 days before the start of the first cost reporting period for which the election is effective.

Please be sure that your staffs are aware of these changes.

Background

CAHs can be paid for outpatient services using either the standard method (also referred to as "Method I") or the optional method (also referred to as "Method II"). Under the standard method, the physician or practitioner is paid under the physician fee schedule for the professional service by their carrier or A/B MAC whereas, under the optional method, the physician or practitioner reassigns his or her billing rights to the CAH and the CAH is paid 115 percent of the physician fee schedule amount for the professional service by the FI or A/B MAC. Under both methods, facility services are reimbursed at 101 percent of reasonable cost.

Additional Information

The official instruction, CR7404 issued to your FI and A/B MAC regarding this change may be viewed at <http://www.cms.gov/Transmittals/downloads/R2232CP.pdf> on the CMS website. If you have any questions, please contact your FI or A/B MAC at their toll-free number, which may be found at <http://www.cms.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

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