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# Program Memorandum

## Intermediaries

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Department of Health and  
Human Services (DHHS)  
HEALTH CARE FINANCING  
ADMINISTRATION (HCFA)

Transmittal A-01-15

Date: JANUARY 29, 2001

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### CHANGE REQUEST 1518

**SUBJECT: Implementation of Sections 111, 401, 403, and 405 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000**

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), which was signed into law on December 21, 2000, made a number of revisions to the Outpatient Prospective Payment System (OPPS). This Program Memorandum (PM) discusses the changes that will go into effect to implement §§111, 401, 403, and 405 of BIPA.

**Accelerated Reductions of Beneficiary Copayments:** Section 111 of BIPA accelerates the reduction of beneficiary copayment amounts by providing that for services furnished on or after April 1, 2001, and before January 1, 2002, the national unadjusted copayment amount for any ambulatory payment classification (APC) group cannot exceed 57 percent of the APC payment rate. The statute makes further reductions in future years so that national unadjusted copayment amounts cannot exceed 55 percent of the APC rate in 2002 and 2003, 50 percent in 2004, 45 percent in 2005, and 40 percent in 2006.

The OPPS pricer will be revised to reflect the lower copayment amounts for services furnished on or after April 1, 2001.

**Increase in Market Basket Update for 2001:** Section 401 of BIPA provides for a full market basket increase to the OPPS conversion factor in 2001, rather than an increase based on the hospital inpatient market basket percentage increase minus 1 percent as required under prior law. Payment rates for services furnished between January 1, 2001, and March 31, 2001, will not be revised, but payment rates for services furnished on or after April 1, 2001, and before January 1, 2002, will be based on the full market basket percentage increase. The payment rates in effect for services furnished from April 1 through December 31, 2001, will be further increased by 0.32 percent to account for the timing delay in implementing the full market basket update for 2001.

The OPPS pricer will be revised to reflect the increased APC payment rates for services furnished on or after April 2001.

**Transitional Corridor Provision for Transitional Outpatient Payments (TOPs) for Providers That Did Not File 1996 Cost Reports:** Pursuant to §403 of BIPA, a TOP may be made to hospitals and community mental health centers (CMHCs) that did not file a cost report for the cost reporting period ending in calendar year 1996. The law was amended to provide that if a hospital did not file a cost report for a cost reporting period ending in calendar year 1996, the payment-to-cost ratio used in calculating a TOP will be based on the hospital's first cost report for a period ending after calendar year 1996 and before calendar year 2001. This provision is effective retroactively to August 1, 2000.

Calculate interim TOP amounts for hospitals and CMHCs that did not have a cost report ending in calendar year 1996, but do have a cost report for a later period that ends prior to calendar year 2001 retroactively to August 1, 2000. Instructions for calculating TOP amounts were issued in PM A-00-36. Make a lump sum payment by no later than 60 days after the date of this PM for any estimated amounts due the provider for prior months retroactive to August 1, 2000, and continue monthly payments as necessary for future months.

**Special Transitional Corridor Treatment for Children's Hospitals:** Section 405 of BIPA provides that children's hospitals described in §1886(d)(1)(B)(iii) will be held harmless permanently for purposes of calculating TOP amounts. This means that children's hospitals will be treated the same as cancer hospitals for purposes of calculating TOP amounts. Therefore, for purposes of calculating interim TOP amounts for children's hospitals, follow the instructions in PM A-00-36 applicable to cancer hospitals.

This provision is effective retroactively to August 1, 2000. Following the calculation applicable to cancer hospitals in PM A-00-36, determine the TOP amount the children's hospital should have received retroactively to August 1, 2000. Compare the newly calculated amount to the interim TOP amounts that you have already made to the hospital and make a lump sum payment for any additional estimated amounts due to the hospital no later than 60 days after the date of this PM. In addition, as soon as possible, but no later than 60 days after the date of this PM, you must begin to calculate any future monthly TOPs to these hospitals by applying the calculation described for cancer hospitals in PM A-00-36.

**The *effective date* for this PM is April 1, 2001, for BIPA §§111 and 401 and retroactive to August 1, 2000 for §§403 and 405.**

**The *implementation date* for this PM is April 1, 2001, for BIPA §§111 and 401 and 60 days after the date of this PM for BIPA §§403 and 405.**

**These instructions should be implemented within your current operating budget.**

**This PM may be discarded April 1, 2002.**

**If you have any questions, contact: Janet Wellham (410-786-4510) for policy issues or Stuart Barranco (410-786-66152) for operational issues.**