

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 1648	Date: December 12, 2008
	Change Request 6216

SUBJECT: Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year (CY) 2009

I. SUMMARY OF CHANGES: This transmittal provides information on the update to the changes to payment to ESRD facilities. Section 153 of the Medicare Improvements for Patient and Providers Act of 2008 (MIPPA) amended section 1881(b)(12) of the Act to require a 1 percent increase to the ESRD composite payment rate and that hospital-based dialysis facilities are paid the same composite payment rate as independent dialysis facilities. In addition to the MIPPA changes, other changes include: 1) an update to the drug add-on adjustment to the composite payment rate; 2) an update to the wage index adjustments to reflect current wage data, including a revised budget neutrality adjustment; and 3) a reduction in the wage index floor.

This Recurring Update Notification applies to chapter 8, section 30.2.

New / Revised Material

Effective Date: January 1, 2009

Implementation Date: January 5, 2009

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	8/30.2/Determining Individual Facility Composite Rate

III. FUNDING:

SECTION A: For Fiscal Intermediaries and Carriers:

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

SECTION B: For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the contracting officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the contracting officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification

Manual Instruction

**Unless otherwise specified, the effective date is the date of service.*

Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 1648	Date: December 12, 2008	Change Request: 6216
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SUBJECT: Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year (CY) 2009

Effective Date: January 1, 2009

Implementation Date: January 5, 2009

I. GENERAL INFORMATION

A. Background: Effective January 1, 2009, section 153 of the Medicare Improvements for Patients and Providers Act of 2008 amended section 1881(b)(12) of the Act to require a 1 percent increase to the ESRD composite payment rate and that hospital-based dialysis facilities are paid the same composite payment rate as independent dialysis facilities.

For CY 2009, there is a zero growth update to the drug add-on adjustment. Therefore, the per treatment drug add-on amount of \$20.33 will remain from CY 2008. However, CMS must adjust the drug add-on adjustment to offset the 1 percent increase in the composite payment rate to ensure that the per treatment drug add-on amount stays \$20.33. The total drug add-on adjustment for CY 2009 is 15.2 percent.

B. Policy: Upon implementation of this instruction, the following changes will be applied to all Medicare-certified ESRD facilities:

- An update to the base composite payment rate with a 1 percent increase resulting with a base rate of \$133.81 for both hospital-based and independent renal dialysis facilities;
- An update to the drug add-on adjustment to the composite payment rate of 15.2 percent;
- An update to the wage index adjustments to reflect the current wage data;
- A reduction in the wage index floor from 0.7500 to 0.7000, then after applying a budget neutrality of 1.056689, the wage index floor is 0.7397; and
- The wage index is 100 percent CBSA-based. The wage index tables are located in addendums G and H within the Physician Fee Schedule's final rule (i.e., CMS-1403-FC) published November 19, 2008. CMS-1403-FC can be located at: www.cms.hhs.gov/center/physician.asp

The ESRD payment changes will be effective January 1, 2009, and will be published in the Federal Register before that date.

II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
6216.1	Medicare systems shall install the new ESRD Pricer software module effective January 1, 2009.						X				
6216.2	Medicare systems shall update the base composite rate by 1% to \$133.81 for both hospital-based and independent renal dialysis facilities.										ESRD Pricer
6216.3	Medicare systems shall update the drug add-on for 2009 to 15.2%.										ESRD Pricer
6216.4	Medicare systems shall update the wage index adjustments to reflect the current wage data.										ESRD Pricer
6216.5	Medicare systems shall update the wage index blend for 2009 to 100% CBSA.										ESRD Pricer
6216.6	Medicare systems shall update the floor from 0.7500 to 0.7000 and apply the budget neutrality of 1.056689.										ESRD Pricer

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
6216.7	<p>A provider education article related to this instruction will be available at http://www.cms.hhs.gov/MLN MattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.</p> <p>Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.</p>	X		X							

IV. SUPPORTING INFORMATION

Section A: For any recommendations and supporting information associated with listed requirements, use the box below: N/A

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: For all other recommendations and supporting information, use this space: N/A

V. CONTACTS

Pre-Implementation Contact(s): For ESRD Policy, Michelle Cruse (410) 786-7540/ michelle.cruse@cms.hhs.gov or Lisa Hubbard (410) 786-5472/ lisa.hubbard@cms.hhs.gov; for Claims Processing, Wendy Tucker (410) 786-3004/ wendy.tucker@cms.hhs.gov.

Post-Implementation Contact(s): For ESRD Policy, Michelle Cruse (410) 786-7540/ michelle.cruse@cms.hhs.gov or Lisa Hubbard (410) 786-5472/ lisa.hubbard@cms.hhs.gov; for Claims Processing, Wendy Tucker (410) 786-3004/ wendy.tucker@cms.hhs.gov.

VI. FUNDING

Section A: For *Fiscal Intermediaries (FIs) and Carriers*:

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

Section B: For *Medicare Administrative Contractors (MACs)*:

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the contracting officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the contracting officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

30.2 - Determining Individual Facility Composite Rate

(Rev.1648, Issued: 12-12-08, Effective: 01-01-09, Implementation: 01-05-09)

To determine a facility's composite *payment* rate, use the following procedures:

A. Determine Whether Facility Is Classified as Hospital-Based or Independent Facility

To receive the higher hospital composite *payment* rate, a facility must be approved by an RO as hospital-based. The RO approves a facility as hospital-based, if it determines that the requirements are met. If these requirements are met, the RO assigns a hospital or hospital-based satellite identification number. If the RO determines that the requirements are not met, it may approve the facility as independent and assign an identification number in the 2000 series. Intermediaries and facilities may assume that existing classifications are proper unless they are changed under the usual annual survey or, at some other time, at the special request of the facility or CMS.

If any ESRD facility is under the Initial Method (IM), add the IM add-on amount to the labor portion of the base composite *payment* rate before applying the facility's wage index in calculating the facility's composite *payment* rate. (See §2715 of PRM, Part 1 for the IM.)

Effective January 1, 2009, section 153 of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) amended section 1881(b)(12) of the Act to require that hospital-based dialysis facilities are paid the same composite payment rate as independent dialysis facilities.

B. Determine Facility's Wage Index

1. General

Effective January 1, 2009, each ESRD facility's composite payment rate is adjusted using the wage index for the Core-Based Statistical Area (CBSA) in which the facility is located. Each facility is classified as either urban or rural. Urban facilities use the wage index for the *CBSA* in which the facility is located and rural facilities use the rural wage index. The ESRD composite *payment* rate system utilizes *a variation of the inpatient hospital PPS wage index that is without regard to geographic reclassification and that is unadjusted for occupational mix.*

2. Application of Wage Index to Hospital-Based Satellite

In some instances, a facility, which is assigned a hospital-based satellite identification number, is located in a different geographical area than the main hospital complex. As a result of its location, the satellite facility is assigned a wage index that is different from the wage index assigned to the hospital. For example, the hospital is classified as urban and uses the wage index for the *CBSA* in which the facility is located, while the hospital-

based satellite is classified as rural and uses the rural wage index for that State. The wage index applicable to the hospital also applies to the satellite if the actual wage scales are identical in both the hospital and satellite facility. The provider must furnish auditable financial data to the FI who demonstrates that the wage scales are identical; e.g., the wages and benefits paid to the employees of the satellite are identical to the wages and benefits paid to the employees of the hospital. The FI reviews the facility's documentation to verify that the wage index for the hospital is also appropriate for the satellite facility, and then submits the notification of the facility's revised rate to CMS. If the wage scales are not identical, the wage indexes are based on each facility's geographical location.

C. ESRD Composite Payment Rates

See the Medicare Benefit Policy Manual (Pub. 100-02, chapter 11, section 30.5).

Future updates will be issued via Recurring Update Notifications.