

CMS Manual System

Pub 100-20 One-Time Notification

Transmittal 13151

Department of Health & Human Services (DHHS)

Centers for Medicare & Medicaid Services (CMS)

Date: May 5, 2025

Change Request 14045

SUBJECT: Extensions of Certain Temporary Changes to the Low-Volume Hospital Payment Adjustment and the Medicare-Dependent Hospital (MDH) Program under the Inpatient Prospective Payment System (IPPS) Provided by the Full-Year Continuing Appropriations and Extensions Act, 2025

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to direct the A/B Medicare Administrative Contractors (MACs) to ensure the provider specific file (PSF) is updated to reflect the provisions of sections 2201 and 2202 of the Full-Year Continuing Appropriations and Extensions Act, 2025.

EFFECTIVE DATE: April 1, 2025

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

IMPLEMENTATION DATE: May 19, 2025

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-Only One Per Row.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
N/A	N/A

III. FUNDING:

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:

One Time Notification

Attachment - One-Time Notification

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I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to direct the A/B Medicare Administrative Contractors (MACs) to ensure the provider specific file (PSF) is updated to reflect the provisions of sections 2201 and 2202 of the Full-Year Continuing Appropriations and Extensions Act, 2025.

II. GENERAL INFORMATION

A. Background: Under the provisions of the American Relief Act, 2025 (Pub. L. 118-158), the temporary changes to the qualifying criteria payment adjustment methodology for certain low-volume hospitals and the MDH program were set to expire on March 31, 2025. On March 15, 2025, the Full-Year Continuing Appropriations and Extensions Act, 2025 (Pub. L. 119-4) was enacted. Section 2201 provides an extension of the temporary changes to the qualifying criteria and payment adjustment methodology for certain low-volume hospitals through September 30, 2025 and section 2202 provided an extension of the MDH program through September 30, 2025.

This Change Request (CR) directs the A/B MACs to ensure the provider specific file (PSF) is updated to reflect the provisions sections 2201 and 2202 of the Full-Year Continuing Appropriations and Extensions Act, 2025.

B. Policy: 1. Low-Volume Hospital Payment Adjustment

Prior to the enactment of the Full-Year Continuing Appropriations and Extensions Act, 2025, on March 15, 2025, the temporary changes to the low-volume hospital payment adjustment originally provided by the Affordable Care Act, and extended by subsequent legislation, which expanded the definition of a low-volume hospital and modified the methodology for determining the payment adjustment for hospitals meeting that definition, was effective through March 31, 2025. Section 2201 of the Full-Year Continuing Appropriations and Extensions Act, 2025 provides an extension of the temporary changes to the qualifying criteria and payment adjustment methodology for certain low-volume hospitals through September 30, 2025.

Under these temporary changes, to qualify a hospital must have less than 3,800 total discharges and be located more than 15 road miles from the nearest IPPS hospital, and the applicable percentage increase is based on a continuous, linear sliding scale ranging from an additional 25 percent payment adjustment for low-volume hospitals with 500 or fewer discharges to a zero percent additional payment for low-volume hospitals with more than 3,800 discharges. (For additional information, refer to the FY 2025 IPPS/Long-Term Care Hospital (LTCH) Prospective Payment System (PPS) final rule (89 FR 69348 through 69349).) Instructions related to the implementation of the low-volume hospital payment adjustment for FY 2025, prior to the provisions of the Full-Year Continuing Appropriations and Extensions Act, 2025, were

addressed in CR 13949. A hospital that received the low-volume hospital payment adjustment for the portion of FY 2025 ending March 31, 2025, will continue to receive a low-volume hospital payment adjustment for the discharges occurring on or after April 1, 2025 through September 30, 2025 (as long as it continues to meet the applicable mileage criterion, i.e., is located more than 15 road miles from the nearest IPPS hospital).

As noted above, under current law the temporary changes to the qualifying criteria and payment adjustment methodology for certain low-volume hospitals are effective for discharges occurring through September 30, 2025. Beginning October 1, 2025, to qualify for the 25 percent payment adjustment, a hospital must have less than 200 total discharges and be located more than 25 road miles from the nearest IPPS hospital, consistent with §412.101(b)(2)(i).

The Pricer calculates the low-volume hospital payment adjustment for hospitals that have a value of 'Y' in the low-volume indicator ("Temporary Relief Indicator" field - Data Element 17) on the PSF using the adjustment factor value in the "LV Adjustment Factor" field (Data Element 59) on the PSF. Therefore, for an eligible hospital's FY 2025 discharges, the MAC shall ensure the "Temporary Relief Indicator" field on the PSF holds a value of 'Y'. For such hospitals, the MAC shall also ensure the "LV Adjustment Factor" field on the PSF contains a value greater than 0 and less than or equal to 0.25, determined using the low-volume hospital payment adjustment factor formula at 42 CFR 412.101(c)(3).

For a hospital qualified for the low-volume hospital payment adjustment on September 30, 2025 that no longer meets the low-volume hospital definition on October 1, 2025, and therefore the hospital will no longer be eligible to receive a low-volume hospital payment adjustment effective October 1, 2025, the MAC shall update the "Temporary Relief Indicator" field to hold a value of 'blank' and update the "LV Adjustment Factor" on the PSF to hold a value of 'blank'.

2. Medicare-Dependent Hospital (MDH) Program

Prior to the enactment of the Full-Year Continuing Appropriations and Extensions Act, 2025, on March 15, 2025, the special payment provisions provided to a Medicare dependent small rural hospital (MDH) were effective through March 31, 2025. Section 2202 of the Full-Year Continuing Appropriations and Extensions Act, 2025 provides an extension of the MDH program, through September 30, 2025.

A hospital that was classified as an MDH for the portion of FY 2025 ending March 31, 2025 may continue to be classified as such without reapplying as long as it continues to meet the applicable criteria at 42 CFR 412.108. Therefore, if a hospital qualifies for MDH classification for the portion of FY 2025 occurring before April 1, 2025, the MAC shall ensure that the provider type in the PSF reflects the correct value for providers classified as MDHs. Specifically, the "Provider Type" field (Data Element 9) on the PSF must contain a value of "14" or "15" (as applicable) if the provider was classified as an MDH as of March 31, 2025. Note, any hospital that requested a cancellation of its rural classification under §412.103(g), is not eligible for continued MDH classification, and the MAC must ensure the "Provider Type" field on the PSF has been updated to hold a value of "00" or "07" (as applicable).

As noted above, the special payment provisions provided to an MDH are not authorized under current law beyond October 1, 2025. Therefore, beginning October 1, 2025, all hospitals that previously qualified for MDH status will no longer have MDH status and will be paid based solely on the Federal rate. (We note that, the SCH policy at §412.92(b) allows MDHs to apply for SCH status and be paid as such under certain conditions, following the expiration of the MDH program.) Provider Types 14 and 15 will no longer be valid

beginning October 1, 2025, and MACs shall update the PSF accordingly to reflect the appropriate provider type with an effective date of October 1, 2025.

III. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility							
		A/B MAC			DME MAC	Shared-System Maintainers			
		A	B	HHH		FISS	MCS	VMS	CWF
14045.1	<p>Medicare contractors shall ensure the “Temporary Relief Indicator” field (Data Element 17) and the LV Adjustment Factor field (Data Element 59) in the PSF reflect the appropriate values under the extension provided by the Full-Year Continuing Appropriations and Extensions Act, 2025, for providers that meet the low-volume hospital discharge and mileage criteria, as described in the policy section, and for providers that no longer qualify as a low-volume hospital as described in the policy section.</p> <p>Note: The temporary changes to the qualifying criteria and payment adjustment methodology for certain low-volume hospitals are effective for discharges occurring through September 30, 2025. Beginning October 1, 2025, a hospital must have less than 200 total discharges and be located more than 25 road miles from the nearest IPPS hospital to qualify as a low-volume hospital.</p>	X							
14045.2	Medicare contractors shall ensure the “Provider Type” field in the PSF (Data Element 9) reflect the appropriate values under the extension of the MDH program provided by the Full-Year Continuing Appropriations and Extensions Act, 2025 for providers classified as MDHs.	X							

Number	Requirement	Responsibility							
		A/B MAC			DME MAC	Shared-System Maintainers			
		A	B	HHH		FISS	MCS	VMS	CWF
	Note: Due to the expiration of MDH program, effective October 1, 2025, providers with a provider type value of '14' shall be updated to '00' and providers with a provider type value of '15' shall be updated to '07'.								

IV. PROVIDER EDUCATION

None

Impacted Contractors: None

V. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: N/A

VI. CONTACTS

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VII. FUNDING

Section A: For Medicare Administrative Contractors (MACs):

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ATTACHMENTS: 0