

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850



CENTER FOR BENEFICIARY CHOICES

MEMORANDUM

DATE: January 16, 2007

TO: Medicare Advantage Regional Preferred Provider Organizations

FROM: David A. Lewis /s/
Acting Director, Medicare Advantage Group

SUBJECT: Essential Hospital Designation and Claims Guidance

The Medicare Prescription Drug Improvement and Modernization Act (MMA) of 2003 provides Regional Preferred Provider Organizations (RPPOs) the opportunity to seek the designation of essential hospitals in rural areas to ensure network adequacy for inpatient hospital services for Medicare beneficiaries enrolled in RPPOs. Essential hospitals do not contract with RPPOs but are essential for providing necessary local access to inpatient emergency hospital services to enrollees. In addition, the MMA allows for bonus payments to be made to these hospitals to assist in providing care to Medicare beneficiaries.

Beginning in July 2007 and July of each subsequent contract year, RPPOs with an existing contract may seek to designate a non-contracting hospital as an essential hospital to be approved and effective in January of the following year. Initial and Service Area Expansion RPPO applicants must submit essential hospital requests as a part of its application and adhere to those particular timeframes associated with the Medicare Advantage application process. Outpatient hospital services are not eligible for an additional payment.

RPPOs must establish a HIPAA compliant electronic claims transmission connection with Noridian, which serves as the fiscal intermediary for CMS. To ensure that the additional payments are processed for hospitals in a timely manner and to ensure that your organization is properly connected to Noridian, please contact Wayne LeMier at (701) 277-2152 by January 26, 2007.

Current RPPO contractors that received approval for essential hospitals in 2006 must provide CMS with updated Essential Hospital Designation Tables and signed attestations for all hospitals that you would like to have designated as essential for 2007. Please indicate any additions or deletions to your 2006 approved hospital list.

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In seeking the designation of essential hospitals you must provide written documentation showing that you have made a “good faith” effort to contract with the hospital (i.e., any documentation showing they were offered a contract and it was denied such as emails, hard copy letters, etc.) and that there are no competing hospitals in the area pursuant to CFR §422.112 (c). Requests for new essential hospitals will be reviewed by CMS and you will be notified of CMS’ decision.

The RPPO Essential Hospital Designation Table and attestation can be found on the CMS website at:

http://www.cms.hhs.gov/MedicareAdvantageApps/02_Final%202007%20Applications.asp#TopOfPage. Select the Initial Application for RPPOs link, and then click on the file name essential.doc. Please follow the instructions on the table. You must submit two copies of the attestation with original signatures. Please send your updated Essential Hospital Designation Tables and attestations to CMS by Friday, January 31, 2007, to the attention of Daniella Stanley at 7500 Security Boulevard Mail-stop C4-22-04 Baltimore, Maryland 21244.

If you have questions concerning this document or need assistance, please contact Daniella Stanley at Daniella.Stanley@cms.hhs.gov or (410) 786-3723.