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The revised *Acute Inpatient Prospective Payment System Fact Sheet* (November 2007), which provides general information about the Acute Inpatient Prospective Payment System (IPPS) and how IPPS rates are set, is now available in print format. To place your order, visit http://www.cms.gov/mlngeninfo/ , scroll down to "Related Links Inside CMS" and select "MLN Product Ordering Page."

MLN Matters Number: MM5961

Related Change Request (CR) #: 5961

Related CR Release Date: April 4, 2008

Effective Date: Cost report periods beginning July 1, 2007 through June 30, 2008

Related CR Transmittal #: R330OTN

Implementation Date: July 7, 2008

Extension of Reasonable Cost Payment for Clinical Laboratory Tests Furnished by Hospitals with Fewer Than 50 Beds in Qualified Rural Areas

Note: This article was updated on July 12, 2013, to reflect current Web addresses. All other information remains unchanged.

Provider Types Affected

Hospitals with fewer than 50 beds in qualified rural areas submitting claims to Medicare contractors (Fiscal Intermediaries (FIs) or Part A/B Medicare Administrative Contractors (A/B MACs)) for outpatient clinical laboratory tests provided to Medicare beneficiaries

Impact on Providers

This article is based on Change Request (CR) 5961 which instructs that payment for outpatient clinical laboratory tests to hospitals (with fewer than 50 beds in qualified rural areas) will be made on a reasonable cost basis for cost reporting periods beginning on or after July 1, 2004 through June 30, 2008. Currently Section 107 of the Medicare, Medicaid and State Children's Health Insurance Program (SCHIP) Extension Act of 2007 extends reasonable cost payment for clinical laboratory tests performed by hospitals with fewer than 50 beds in qualified

rural areas as part of their outpatient services for cost reporting periods beginning on or after July 1, 2004 through June 30, 2008. Thus, this can apply to services performed as late as June 30, 2009, depending upon the provider's cost reporting period.

- Providers should note that Medicare contractors will adjust any claims that were not previously paid according to reasonable cost, but should have been paid as such, per section 107 of the Medicare, Medicaid and SCHIP Extension Act of 2007.
- Beneficiaries are not liable for any deductible, coinsurance, or any other cost-sharing amount.

Background

A provision in Section 416 of the Medicare Modernization Act (MMA) of 2003 provided for payment on a reasonable cost basis for outpatient clinical laboratory tests to hospitals with fewer than 50 beds in qualified rural areas for cost reporting periods beginning during the 2-year period beginning on July 1, 2004. At that time the Centers for Medicare & Medicaid Services (CMS) issued CR 3301 on February 13, 2004, to implement procedures to provide for such payment.

Based on Section 105 of the Tax Relief and Health Care Act (TRHCA) of 2006, CMS issued CR 5493, on February 2, 2007, to extend the 2-year provision outlined within CR 3301 for an additional cost-reporting year. Because CR 5493 was implemented beyond the original sun-setting date outlined in CR 3301, Medicare contractors were instructed to adjust any claims for laboratory services that should have received reasonable cost payment under TRHCA. You may review the MLN Matters article related to CR5493 at http://www.cms.gov/outreach-and-education/medicare-learning-network-mln/mlnmattersarticles/downloads/mm5493.pdf on the CMS website.

Additional Information

To see the official instruction (CR5961) issued to your Medicare FI or A/B MAC, refer to http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R330OTN.pdf on the CMS website.

If you have questions, please contact your Medicare FI or A/B MAC at their toll-free number which may be found at *http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html* on the CMS website.