

Program Memorandum Intermediaries

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

Transmittal A-01-32

Date: MARCH 8, 2001

CHANGE REQUEST 1507

SUBJECT: Biweekly Interim Payments for Certain Hospital Outpatient Items and Services That Are Paid on a Cost Basis, and Direct Medical Education Payments, Not Included in the Hospital Outpatient Prospective Payment System (OPPS)

For hospitals subject to the OPSS, payment for certain items that are not paid under the OPSS, but which are reimbursable in addition to OPSS, will be made through biweekly interim payments subject to retrospective adjustment based on a settled cost report. These payments include:

1. Direct medical education payments.
2. Costs of nursing and allied health programs.
3. Costs associated with interns and residents not in an approved teaching program as described in 42 CFR 415.202.
4. Teaching physicians costs attributable to Part B services for hospitals that elect cost-based reimbursement for teaching physicians under 42 CFR 415.160.
5. For hospitals that meet the requirements under 42 CFR 412.113(c), the reasonable costs of anesthesia services furnished to hospital outpatients by qualified nonphysician anesthetists (i.e., certified registered nurse anesthetists and anesthesiologists' assistants) employed by the hospital or obtained under arrangements.
6. Bad debts for uncollectible deductibles and coinsurance.
7. Organ acquisition costs paid under Part B.

For hospitals that are paid under the OPSS, interim payments for these items attributable to both hospital outpatients, as well as inpatients whose services are paid under Part B of the Medicare program will be made on a biweekly basis. Determine the amount of the biweekly payment by estimating a hospital's reimbursement amount for these items for the cost reporting period by using: (1) Medicare principles of cost reimbursement for cost-based items; and (2) Medicare rules for determining payment for graduate medical education for direct medical education, and dividing the total annual estimated amount for these items into 26 equal biweekly payments. The estimated annual amount will be based on the most current data available. Biweekly interim payments will be reviewed and, if necessary, adjusted at least twice during the reporting period, with final settlement based on a submitted cost report.

Because hospitals subject to the OPSS have not received payment for these items attributable to services furnished on or after August 1, 2000, the date the OPSS was implemented, the first payment to each hospital must include all the payments due to the hospital retroactive to August 1, 2000. Thereafter, continue to make payment on a biweekly basis. Each payment will be made 2 weeks after the end of a biweekly period of services. You should begin making retroactive and biweekly

payments as soon as possible, but you must make retroactive payments and begin making biweekly interim payments to all hospitals that are due these payments no later than 60 days after the date of this Program Memorandum (PM).

These biweekly payments may be combined with the inpatient biweekly payments that you make under §2405.2 of the Provider Reimbursement Manual (HCFA Pub.15-I). However, if a single payment is made, for purposes of final cost report settlement, you must maintain records to separately identify the amount of the hospital's combined payment that is paid out of the Part A or Part B trust fund.

The *effective date* of this PM is 30 days after March 8, 2001.

The *implementation date* for this PM is not later than 60 days after March 8, 2001.

These instructions should be implemented within your current operating budget.

This PM may be discarded after March 8, 2002.

If you have any questions, contact Janet Wellham at 410-786-4510.