Attachment 8 Instructions for Section J of CR9253

MACs shall update the PSF by following the steps in the order listed below to determine the appropriate wage index based on policies mentioned in CR9253.

1. Hospitals Listed on Attachment 4

Step 1- **LUGAR Hospitals**: For hospitals that have the word “LUGAR” or “NECMA” in the “Lugar/NECMA” column in Attachment 4, MACs shall enter a "Y" for reclassified in the Special Payment Indicator field (data element 33) and enter the CBSA from the Reclassified/Redesignated column in Attachment 4 in the Wage Index Location CBSA field (data element 36) and in the Standardized Amount CBSA field (data element 37) with an effective date of October 1, 2015.

Step 2- **Urban to Rural Reclassification**: For hospitals with a “Y” in the “Hospital Reclassified as Rural Under Section 1886(d)(8)(E) of the Act (412.103)” column on Attachment 4, MACs shall enter the rural CBSA from the “Reclassified/Redesignated CBSA” column in the Standardized Amount CBSA field (data element 37) with an effective date of October 1, 2015. MACs shall ensure that data elements 33, 36 and 38 are blank.

Note: Attachment 4 contains a hospital’s urban to rural reclassification status as of the time of the development of the FY 2016 final rule. A hospital may have been approved or may have cancelled urban to rural reclassification after this time and before October 1, 2015; thus, a hospital’s urban to rural reclassification status at the time of the effective date of this change request may not be reflected in Attachment 4. Therefore, MACs shall ensure that any changes in urban to rural reclassification status are reflected in the PSF so hospitals are paid appropriately for periods prior to and after October 1, 2015. To update the PSF, follow the instructions in section J.3 below, if the hospital was approved for an urban to rural reclassification, and follow the instructions in section J.4 below, if the hospital cancelled its urban to rural reclassification. As discussed in these sections, it may be necessary for the MAC to reprocess claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.

Note: For hospitals that are subsequently approved for urban to rural reclassification with an effective date after 10/1/2015, see section J.3 below. Also, for hospitals that subsequently cancel an approved urban to rural reclassification with an effective date after 10/1/2015, see section J.4 below.

Step 3- **MGCRB Reclassification**: For hospitals with a “Y” in the “MGCRB Reclass” column on Attachment 4, MACs shall enter a "Y" for reclassified in the Special Payment Indicator field (data element 33) and enter the reclassified CBSA from the column titled ““Reclassified/Redesignated CBSA” in Attachment 4 in the Wage Index Location CBSA field (data element 36) with an effective date of October 1, 2015.

Step 4: If a hospital is located in a LUGAR county or qualified for reclassification in FY 2015, MACs must verify that the hospital’s LUGAR status or reclassification carries over to FY 2016. MACs shall ensure that all hospitals that are located in a LUGAR county or qualified for reclassification in FY 2015 continue to maintain such status by following steps 1-3 above. If a hospital no longer has the word “LUGAR” in the “Lugar/NECMA” column in Attachment 4, or

no longer has a “Y” in the “MGCRB Reclass” column on Attachment 4 for FY 2016, MACs shall delete the reclassified CBSA from data elements 36 and/or 37 and insert “blank” in data element 33 with an effective date of October 1, 2015.

Note: The following hospitals have waived LUGAR status for FY 2016 and are deemed rural for all payments: 140167, 250117. 330047, 390008, 390031, 390150, 520102 and 520116. For these hospitals, ensure that data element 35 reflects the CBSA of the hospital’s geographic rural location. Data elements 33, 36 and/or 37 shall contain “blank” values with an effective date of October 1, 2015.

Step 5- **Out Migration Adjustment**: For hospitals with an out migration adjustment in the “Out-Migration Adjustment” column in Attachment 4 (that do not have a “Y” in the “Hospital Reclassified as Rural Under Section 1886(d)(8)(E) of the Act (412.103)” column, or do not have a “Y” in the “MGCRB Reclass” column, or do not have the word “LUGAR” or “NECMA” in the “Lugar/NECMA” column), insert a “1” in the Special Payment Indicator (data element 33) field, and insert the wage index value shown in the column titled “FY 2016 Wage Index” from Attachment 4 in the Special Wage Index field (data element 38) with an effective date of October 1, 2015. ***Note: If the MAC has entered a "Y" in the Special Payment Indicator field (data element 33) from step 1 or step 3 or has entered the rural CBSA in data element 36 and data element 37 from step 2, then the hospital cannot qualify for the out migration adjustment in step 5; do not enter a “1” in the Special Payment Indicator field (data element 33).***

Step 6- **Hold Harmless Transition Wage Indexes**: For provider numbers 010051, 130067, 170074, 250036, 330008, 330386, 370084 and 460057, insert a “1” in the Special Payment Indicator (data element 33) field and insert the wage index value shown in the column titled “FY 2016 Wage Index” from Attachment 4 in the Special Wage Index field (data element 38) with an effective date of October 1, 2015.

2. Hospitals Not Listed on Attachment 4 and New Hospitals in FY 2016

Step 1- **Geographic Location**: MACs shall ensure the Actual Geographic Location Core-Based Statistical Area (CBSA) field in the PSF (data element 35) reflects the correct CBSA delineations (based on 2010 Census data initially adopted beginning FY 2015). Use the *County to CBSA Crosswalk* file on the internet at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2016-IPPS-Final-Rule-Home-Page-Items/FY2016-IPPS-Final-Rule-Data-Files.html. Determine the county that the hospital is located in and insert in data element 35 the CBSA code from the column titled “CBSA”. If the CBSA column is blank, then the hospital is rural so insert the two digit state code into data element 35.

Step 2- **LUGAR Hospitals**: For hospitals located in rural counties that are deemed Lugar counties on Attachment 6, MACs shall enter a "Y" for reclassified in the Special Payment Indicator field (data element 33) and enter the urban CBSA from the column titled “LUGAR CBSA” in the Wage Index Location CBSA field (data element 36) *and* in the Standardized Amount CBSA field (data element 37) with an effective date of October 1, 2015. Only those counties listed on Attachment 6, are deemed Lugar for FY 2016.

Step 3- **Urban to Rural Reclassification**: If a hospital is located in an urban CBSA and has been approved by the CMS Regional Office to reclassify as rural under section 1886(d)(8)(E) of the Act (42 CFR 412.103), MACs shall ensure that the rural CBSA (two digit state code) is specified in the Standardized Amount CBSA field (data element 37) with an effective date in the PSF that is the date that the CMS Regional Office received the hospital's application (typically specified in the Regional Office's approval letter). MACs shall ensure that data elements 33, 36 and 38 are blank. MACs shall also ensure that all claims after the effective date in the PSF are paid correctly; the MAC may need to apply different wage indexes for portions of the Federal fiscal year, and may need to reprocess claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.

Note: For hospitals that are subsequently approved for urban to rural reclassification with an effective date after 10/1/2015, see section J.3 below. Also, for hospitals that subsequently cancel an approved urban to rural reclassification with an effective date after 10/1/2015, see section J.4 below.

Step 4: If a hospital is located in a LUGAR county or qualified for reclassification in FY 2015, MACs must verify that the hospital's LUGAR status or reclassification carries over to FY 2016. MACs shall ensure that all hospitals that are located in a LUGAR county or qualified for reclassification in FY 2015 continue to maintain such status by following steps 1-3 above. If a hospital no longer has LUGAR status or no longer qualifies for reclassification for FY 2016, MACs shall delete the reclassified CBSA from data elements 36 and/or 37 and insert "blank" in data element 33.

Step 5 – **Out-Migration Adjustment**: For hospitals located in a county on Attachment 7, if the hospital is NOT also located in a rural county deemed as a Lugar county listed in Attachment 6 and the hospital has NOT been approved to reclassify as rural under section 1886(d)(8)(E) of the Act (42 CFR 412.103), then do the following:

a) Using the CBSA from step 1, look up the CBSA wage index on Attachment 5 in the column titled "Wage Index". *Note: if the CBSA is listed more than once and has a wage index value in each of the "Wage Index" columns, then choose the wage index for the hospital based on the state in which the hospital is located as listed in the "State" column.*
b) Add to that wage index value from Attachment 5 the outmigration adjustment value from Attachment 7 (the column titled "Occupational Mix Adjustment").
c) Insert a "1" in the Special Payment Indicator (data element 33) field and insert the wage index value from step b in the Special Wage Index field (data element 38). ***Note: If the MAC has entered a "Y" in the Special Payment Indicator field (data element 33) from step 2 or has entered the rural CBSA in data element 36 and data element 37 from step 3, then the hospital cannot qualify for the outmigration adjustment in step 5.***

3. Hospitals Approved for an Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year

At any point during a fiscal year, MACs may be notified by the CMS Regional Offices of hospitals located in an urban CBSA that are approved to reclassify as rural under section

1886(d)(8)(E) of the Act (42 CFR 412.103). The regulations at 42 CFR 412.103(a)(c) provide the CMS Regional Offices with up to 60 days to review and approve an urban to rural reclassification request.

If a hospital is located in an urban CBSA and has been approved by the CMS Regional Office to reclassify as rural under section 1886(d)(8)(E) of the Act (42 CFR 412.103), MACs shall ensure that data elements 33, 36 and 38 are blank. MACs shall also ensure that the rural CBSA (two digit state code) is specified in the Standardized Amount CBSA field (data element 37) with an effective date in the PSF that is the date that the CMS Regional Office received the hospital's application (typically specified in the Regional Office's approval letter). MACs shall also ensure that all claims after the effective date in the PSF are paid correctly; if necessary, the MAC may need to reprocess claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.

4. Hospitals that Cancel their Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (412.103) in the Middle of the Fiscal Year

If a hospital notifies the CMS Regional Office that it wishes to cancel its urban to rural reclassification under section 1886(d)(8)(E) of the Act (42 CFR 412.103), MACs shall delete the rural CBSA from data element 37 effective with the beginning of the hospital's next full cost reporting period (or if the hospital is an Rural Referral Center, effective with the beginning of the Federal fiscal year following the 12-month cost reporting period in which it was paid as rural). The effective date of this change must follow the rules of section 412.103(g). Next, follow steps 1, 2, 4 and 5 in section J.2 above (Hospitals Not Listed on Attachment 4). MACs shall ensure claims are paid correctly. It may be necessary for the MAC to reprocess claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.