CMS Manual System

Pub 100-04 Medicare Claims Processing

Transmittal 877

Department of Health & Human Services (DHHS)

Center for Medicare & Medicaid Services (CMS)

Date: FEBRUARY 24, 2006

Change Request 4367

SUBJECT: **Changes in Transitional Outpatient Payments (TOP) for Rural Sole Community Hospitals and Small Rural Hospitals for 2006**

I. SUMMARY OF CHANGES: Hold harmless transitional outpatient payments (TOPs) shall continue for services rendered through December 31, 2008, for rural hospitals having 100 or fewer beds, in accordance with the provisions of the Deficit Reduction Act (DRA).

NEW/REVISED MATERIAL

EFFECTIVE DATE: January 1, 2006

IMPLEMENTATION DATE: March 6, 2006

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	

III. FUNDING:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2006 operating budgets.

IV. ATTACHMENTS:

One-Time Notification

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

Attachment – One-Time Notification

Pub. 100-04	Transmittal: 877	Date: February 24, 2006	Change Request 4367

SUBJECT: Changes in Transitional Outpatient Payments (TOP) for Rural Sole Community Hospitals and Small Rural Hospitals for 2006

I. GENERAL INFORMATION

A. Background: Section 411 of the MMA extended the hold harmless provision for small rural hospitals having 100 or fewer beds through December 31, 2005. Section 411 also provided that the hold harmless transitional corridor payments apply through December 31, 2005 to sole community hospitals (SCH) located in rural areas. The hold harmless provisions to both of these hospitals expired December 31, 2005. Section 5105 of The Deficit Reduction Act of 2005 (DRA) reinstituted the hold harmless transitional outpatient payments (TOPs) through December 31, 2008 for rural hospitals having 100 or fewer beds that are not SCHs.

B. Policy: Hold harmless TOPs shall continue for services rendered through December 31, 2008, for rural hospitals having 100 or fewer beds that are not SCHs.

The interim TOP payments for these hospitals shall continue to be calculated as 85% of the hold harmless amount (the amount by which the provider's charges multiplied by its cost to charge ratio (CCR) then multiplied by its payment to cost ratio (PCR) exceeds the provider's OPPS payments).

If a hospital qualifies as both a rural hospital having 100 or fewer beds and as a sole community hospital (SCH) located in a rural area, for purposes of receiving TOPs and interim TOPs, the hospital will be treated as a SCH located in a rural area. These hospitals are not eligible for TOPs for services furnished on or after January 1, 2006.

For purposes of TOPs, a hospital is considered rural if it is either geographically rural or classified to rural for wage index purposes. For example, a hospital that is geographically rural is always considered rural for TOPs, even if it is reclassified to urban for wage index purposes. A hospital that is geographically urban, but reclassified to rural for the wage index is considered rural for purposes of TOPs. FIs shall use the Inpatient Provider Specific File (IPSF) to determine if a hospital is rural. We are also instructing the intermediaries to ensure that all qualified rural hospitals have a PCR and CCR entered in their Outpatient Provider Specific File (OPSF) and receive interim TOPs payments.

The FI shall make appropriate interim payments retroactive to January 1, 2006.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement
"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)

		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
4367.1	Using the Inpatient Provider Specific File (IPSF) for reference, contractors shall verify that there is a PCR and CCR entered in the Outpatient Provider Specific File for non-SCH Rural hospitals having 100 or fewer beds . Note: Hospitals may be designated as rural in either the Geographic/Actual CBSA IPSF field or in the Wage Index MSA field. Rural hospitals are identified by CBSAs that begin with "_ _ _"(blank blank blank) followed by a two digit state code (e.g. _ _ _21 is a rural hospital in Maryland). Also in the IPSF, hospital bedsize is designated in the bedsize field.	X				X				
4367.2	Contractors shall calculate interim TOPs for services furnished on or after January 1, 2006 through December 31, 2008 for non-SCH rural hospitals having 100 or fewer beds. Note: The interim TOP payments for these hospitals shall continue to be calculated the same way as payments are calculated for cancer and children's hospitals. That is, 85% of the hold harmless amount (the amount by which the provider's charges x CCR x PCR exceeds the provider's OPPS payments.)	X				X				
4367.2.1	Contractors shall not pay TOPS to SCHs.	X				X				
4367.3	The Contractors shall make appropriate interim payments to small rural hospitals, retroactive to January 1, 2006.	X				X				

III. PROVIDER EDUCATION

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
4367.4	A provider education article related to this instruction will be available at www.cms.hhs.gov/medlearn/matters shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin and incorporated into any educational events on this topic. Contractors are free to supplement Medlearn Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X								

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

Effective Date*: January 1, 2006 **Implementation Date:** March 6, 2006 **Pre-Implementation Contact(s):** Tamar Spolter (410)786-4709 or tamar.spolter@cms.hhs.gov **Post-Implementation Contact(s):** Tamar Spolter (410)786-4709 or tamar.spolter@cms.hhs.gov	**No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.**

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