

To: All Inpatient Acute Care Hospitals and Long-Term Care Hospitals Reimbursed Under Prospective Payment Systems

From: CareFirst of Maryland, Inc., Medicare Part A, Audit and Reimbursement

Date: July 16, 2003

Re: Change in Methodology for Determining Payment for Outliers Under Acute Care Hospital Inpatient and Long-Term Care Hospital Prospective Payment Systems

Regulations at 42 CFR §412.84 describe the criteria and procedures for determining whether an acute care hospital subject to the inpatient prospective payment system (IPPS) qualifies for an additional payment for extraordinarily costly cases, known as high-cost outliers. Regulations at 42 CFR §412.525 and §412.529 describe the criteria and procedures for determining whether a long-term care hospital (LTCH) subject to the LTCH prospective payment system (PPS) qualifies for high cost outlier and short stay outlier payments, respectively. A final rule published on June 9, 2003 (68 FR 34494) revised the regulations at §412.84 for hospitals subject to the IPPS and at §412.525 and §412.529 for long-term care hospital (LTCHs) subject to the LTCH PPS.

Under the existing IPPS and LTCH PPS outlier methodologies, the CCRs from hospitals' latest settled cost reports are used in determining whether a case qualifies for payment as an outlier and the amount of any such payment. Based on the final rule, CMS issued Program Memorandum A-03-058, Change Request 2785 on July 3, 2003 which provides instructions for applying CCRs for IPPS hospitals and LTCHs, including: the use of alternative CCRs when directed by CMS or at the request of the hospital and the use of CCRs based on tentative settlements of cost reports for discharges on or after October 1, 2003; use of the statewide average; the criteria for identifying hospitals to be subject to reconciliation; and notification to hospitals by the FIs regarding CCR updates.

Please visit CMS at http://www.cms.gov/manuals/pm_trans/A03058.pdf to access Program Memorandum A-03-058, Change Request 2785. To access the June 9, 2003 Federal Register, visit CMS at <http://www.cms.gov/providerupdate/regs/cms1243f.pdf>.

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