

Related Change Request (CR) #: 3158

Medlearn Matters Number: MM3158

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Related CR Transmittal #: 64

Effective Date: April 1, 2004

Implementation Date: April 5, 2004

MMA-- Implementation of Sections 401, 402, 504 and 508(a) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)

Provider Types Affected

All Medicare hospitals.

Provider Action Needed

STOP – Impact to You

This article is for informational purposes only.

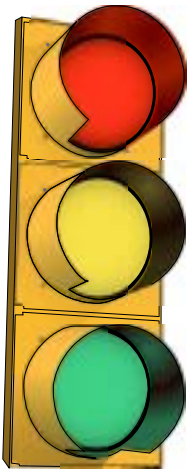
CAUTION – What You Need to Know

This CR addresses the standardized amount that Medicare pays hospitals for inpatient services, the Disproportionate Share Hospital (DSH) adjustment for rural hospitals, the relative Federal/Commonwealth blend in Medicare payments in Puerto Rico, and appeals of hospital wage index classification. This CR:

- Equalizes the national adjusted operating standardized amounts for hospitals in large urban and other areas, increases the large urban and other area national adjusted amounts for Puerto Rico, and equalizes the Puerto Rico-specific urban and other area rates;
- Changes the current blend of Federal and Puerto Rican input in Medicare payments; and
- Increases the DSH adjustment for rural hospitals and urban hospitals with fewer than 100 beds.

GO – What You Need to Do

Make sure that the appropriate hospital staff is aware of these changes.



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Background

This One-Time Notification from the Centers for Medicare & Medicaid Services (CMS) implements sections 401, 402, 504, and 508(a) of the MMA that address the standardized amount that Medicare pays hospitals for inpatient services (Section 401), the Disproportionate Share Hospital (DSH) adjustment for rural hospitals (Section 402), the relative Federal/Commonwealth blend in Medicare payments in Puerto Rico (Section 504), and appeals of hospital wage index classification (Section 508(a)).

Section 401

MMA Section 401 equalizes the national adjusted operating standardized amounts for hospitals in large urban and other areas. In addition, it increases the large urban and other area national adjusted amounts for Puerto Rico and equalizes the Puerto Rico-specific urban and other area rates.

The Puerto Rico-specific equalization of urban and other areas is retroactive to October 1, 2003, but will not be effective in Medicare systems until April 1, 2004. However, CMS has calculated the payment necessary to make up for the six months that the Puerto Rico "other Areas" did not receive payments equal to the Puerto Rico urban rates.

Therefore, from April 1, 2004 through September 30, 2004, the Puerto Rico-specific other area rate will exceed the Puerto Rico urban rate so that the requirements of the provision can be implemented without reprocessing claims (in accordance with MMA Section 401 (d)(2)).

Section 504

MMA Section 504 changes the current blend of input into Medicare payments, from 50% Federal and 50% Puerto Rico to 62.5% Federal and 37.5% Puerto Rico, effective for discharges from April 1, 2004 through September 30, 2004.

It further adjusts the blend to 75% Federal and 25% Puerto Rico on October 1, 2004. The new national and Puerto Rico rates, based on Sections 401 and 504 of MMA, effective for discharges on or after April 1, 2004 through September 30, 2004, are the following:

	Large Urban		Other Area	
	Labor	Non-Labor	Labor	Non-Labor
National	3,135.49	1,274.49	3,135.49	1,274.49
National PR	3,135.49	1,274.49	3,135.49	1,274.49
PR Specific	1,507.58	606.83	1539.38	619.64

The new budget neutrality factors effective April 1, 2004 are:

Puerto Rico Recalibration Budget Neutrality:	1.001698
Wage Index and DRG Recalibration Budget Neutrality:	1.002628
Geographic Reclassification Budget Neutrality:	0.991798

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The new fixed-loss amount used to determine the cost outlier threshold for discharges occurring on or after April 1, 2004 through September 30 is \$30,150. This fixed loss amount is part of the equation used to determine inpatient operating and capital-related costs in both the operating Prospective Payment System (PPS) and the capital PPS.

For this reason, because the fixed loss amount is being changed for discharges during this period, the resultant new capital PPS rates are \$413.48 for National and \$202.96 for Puerto Rico.

These rates were determined by an updated national GAF/DRG adjustment factor of 1.0025 with an outlier adjustment of 0.9508 and a Puerto Rico GAF/DRG adjustment factor of 1.0011 with an outlier of 0.9922, also applying to discharges occurring on or after April 1, 2004 through September 30, 2004.

Section 402

Under Section 1886(d)(5)(F) of the Social Security Act, Medicare makes additional DSH payments to acute hospitals that serve a large number of low-income Medicare and Medicaid patients as part of its inpatient PPS. As of April 1, 2001 (as specified in Section 211 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000), all inpatient PPS hospitals that meet the number of beds requirement will be eligible to receive DSH payments when their DSH patient percentage meets or exceeds 15 percent.

MMA Section 402 increases the DSH adjustment for rural hospitals and urban hospitals with fewer than 100 beds, effective for discharges occurring on or after April 1, 2004.

The formulas used to establish a hospital's DSH payment adjustment are based on the hospital's location, number of beds and status as a rural referral center or sole community hospital. These formulas are presented in the following table.

DSH Payment Adjustment Formulas

Urban Hospitals		
0 - 99 Beds	$\geq 15\%, < 20.2\%$	$2.5\% + [.65 \times (\text{DSH pct} - 15\%)]$
	$\geq 20.2\%$	$5.88\% + [.825 \times (\text{DSH pct} - 20.2\%)]$
Not to Exceed 12%		
100 + Beds	$\geq 15\%, < 20.2\%$	$2.5\% + [.65 \times (\text{DSH pct} - 15\%)]$
	$\geq 20.2\%$	$5.88\% + [.825 \times (\text{DSH pct} - 20.2\%)]$
No Cap		
Sole Community Hospitals (SCH)	$\geq 15\%, < 20.2\%$	$2.5\% + [.65 \times (\text{DSH pct} - 15\%)]$
	$\geq 20.2\%$	$5.88\% + [.825 \times (\text{DSH pct} - 20.2\%)]$
Not to Exceed 12%		
Rural Referral Centers (RRC)	$\geq 15\%, < 20.2\%$	$2.5\% + [.65 \times (\text{DSH pct} - 15\%)]$
	$\geq 20.2\%$	$5.88\% + [.825 \times (\text{DSH pct} - 20.2\%)]$
No Cap		

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Both SCH and RRC	>=15%, <20.2%	2.5% + [.65 x (DSH pct – 15%)]
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)]
No Cap		
Other Rural Hospitals		
0 - 499 Beds	>=15%, <20.2%	2.5% + [.65 x (DSH pct – 15%)]
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)]
Not to Exceed 12%		
500 + Beds	>=15%, <20.2 %	2.5% + [.65 x (DSH pct – 15%)]
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)]
No Cap		

Section 508(a)

The CR also serves as notice to Medicare fiscal intermediaries (FIs) of forthcoming decisions by the Medicare Geographic Classification Review Board (MGCRB) in accordance with Section 508(a), "One-time Appeals Process for Hospital Wage Index Classification." Under this section, a qualifying hospital may appeal the wage index classification otherwise applicable to the hospital and apply for reclassification to another area of the state in which the hospital is located or at the discretion of the Secretary of HHS, to an area within a contiguous State.

Upon completion of the MGCRB review process, CMS will post a complete listing of the approved Section 508(a) hospital reclassifications on its Web site. Geographic reclassifications approved under Section 508(a) are effective for discharges occurring during the 3-year period beginning on April 1, 2004 and ending on March 31, 2007.

Additional Information

To view the actual instruction issued to Medicare (FIs) on these issues, please visit:

http://www.cms.hhs.gov/manuals/pm_trans/R64OTN.pdf

Also, if you have any questions, contact your FI at their toll-free number. A list of these numbers may be found at:

<http://www.cms.hhs.gov/medlearn/tollnums.asp>

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