

MLN Matters Number: MM4367

Related Change Request (CR) #: 4367

Related CR Release Date: February 24, 2006

Effective Date: January 1, 2006

Related CR Transmittal #: R877CP

Implementation Date: March 6, 2006

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

**Note:** This article was revised to contain web addresses that conform to the new CMS website and to show they are now MLN Matters articles. All other information remains the same.

### Provider Types Affected

Providers (hospitals) billing Medicare fiscal intermediaries (FIs).

### Provider Action Needed



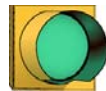
#### STOP – Impact to You

This article is based on Change Request (CR) 4367, which provides details regarding the changes in transitional outpatient payments (TOPs) for rural Sole Community Hospitals (SCHs) and small rural hospitals for 2006.



#### CAUTION – What You Need to Know

In accordance with the provisions of the Deficit Reduction Act (DRA), hold harmless transitional outpatient payments (TOPs) will continue for services rendered through December 31, 2008, for rural hospitals having 100 or fewer beds that are not SCHs.



#### GO – What You Need to Do

See the *Background* section of this article for further details regarding TOPs and interim TOPs for 2006.

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.

## Background

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA; Pub. L. 108-173; Section 411; <http://www.cms.hhs.gov/MMAUpdate/>) extended the hold harmless provision for small rural hospitals having 100 or fewer beds through December 31, 2005.

The MMA (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 for both of these hospitals expired December 31, 2005. The DRA, Section 5105, reinstated the hold harmless transitional outpatient payments (TOPs) through December 31, 2008, for rural hospitals having 100 or fewer beds that are not SCHs.

**Note:** Hold harmless transitional outpatient payments (TOPs) will continue for services rendered through December 31, 2008, for rural hospitals having 100 or fewer beds that are not SCHs.

### *Interim TOP Payments*

The interim TOP payments for these hospitals will continue to be calculated as 85 percent of the hold harmless amount, that is:

- $TOP = 0.85 \times (\text{Hold Harmless Amount})$

The hold harmless amount is the amount by which the provider's charges **times** the cost-to-charge ratio (CCR), **times** the payment-to-cost ratio (PCR) exceeds the provider's OPSS payments. Therefore, the payment calculation is as follows:

- $TOP = 0.85 \times [((\text{Provider's charges} \times CCR \times PCR) - \text{Provider's OPSS payments})]$

### *Definition of Sole Community Hospitals (SCH) in Rural Areas*

For purposes of receiving TOPs and interim TOPs, a hospital will be treated as an SCH located in a rural area if the hospital qualifies as both:

- A rural hospital having 100 or fewer beds; **and**
- A sole community hospital (SCH) located in a rural area,

**Note:** 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, for purposes of TOPs:

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- A hospital that is geographically rural **is always considered rural**, even if it is reclassified to urban for wage index purposes; or
- If a hospital is urban, but reclassified to rural for the wage index, it **is considered rural**.

**Note:** Your FI will use the Inpatient Provider Specific File (IPSF) to determine if a hospital is rural.

The Centers for Medicare & Medicaid Services (CMS) is also instructing your FI 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.

Appropriate interim payments will be made retroactive to January 1, 2006.

## Implementation

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The implementation date for CR4367 is March 6, 2006.

## Additional Information

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For complete details, please see the official instruction issued to your intermediary regarding this change. That instruction may be viewed at <http://www.cms.hhs.gov/Transmittals/downloads/R877CP.pdf> on the CMS website.

If you have any questions, please contact your intermediary at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

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