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## Clarification of Medicare's Transfer Policy Under the Inpatient Prospective Payment System (IPPS)

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

### Provider Types Affected

Hospitals paid under the Inpatient Prospective Payment System (IPPS) by Medicare fiscal intermediaries (FIs)

### Provider Action Needed

Affected hospitals should note that this special edition article addresses circumstances in which:

- 1) A patient is admitted to a hospital;
- 2) It is determined that the patient requires surgery or additional treatment; and
- 3) The patient wants to be transferred in order to have a particular surgeon perform the surgery or possibly to be closer to home.

### Background

Transfers between hospitals occur when a patient is admitted to one hospital and is subsequently transferred to another hospital for additional treatment once the patient's condition has stabilized or a diagnosis is established. In certain circumstances, a patient is admitted to a hospital, it is determined that surgery or additional treatment is required, and the patient subsequently desires to be transferred to another hospital so that he/she can have a particular surgeon perform the surgery or possibly to be closer to home.

In this situation:

- Beneficiaries may transfer from one hospital to another as long as the second hospital participates in the Medicare program.

#### Disclaimer

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- The patient must be formally released/discharged from the initial hospital before the process of transferring to another hospital can proceed.

### ***Payment***

According to 42 Code of Federal Regulations (CFR) 412.4 (d), the hospital that transfers the inpatient to another Medicare hospital, under the circumstances described in paragraph (b)(1) or (c) of that section of the CFR, is paid a graduated per diem rate for each day of the patient's stay in that hospital, not to exceed the amount that would have been paid if the patient had been discharged to another setting.

The payment is determined by dividing the appropriate IPPS rate by the geometric mean length of stay for the specific Diagnosis Related Group (DRG) under which the patient was treated. The graduated payment is two times the per diem rate for the first day and the per diem amount for each subsequent day up to the full DRG payment.

The first hospital receives the per diem payment from Medicare Part A as described in the previous paragraph and the second hospital performing the surgery would receive Medicare's payment for the assigned DRG. Both hospitals may want to work closely with the Medicare Part A intermediary regarding any additional billing.

## **Additional Information**

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The following excerpt was taken from the Code of Federal Regulations Title 42, Volume 2, Parts 400 to 429, revised as of October 1, 2000. It is also available at the following GPO web site:

[http://www.access.gpo.gov/nara/cfr/waisidx\\_00/42cfr412\\_00.html](http://www.access.gpo.gov/nara/cfr/waisidx_00/42cfr412_00.html).

If you have any questions regarding this issue, contact your FI at their toll-free number, which may be found at

<http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.pdf> on the CMS web site.

**TITLE 42-PUBLIC HEALTH, CHAPTER IV  
HEALTH CARE FINANCING ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PART 412-PROSPECTIVE PAYMENT SYSTEMS FOR INPATIENT HOSPITAL SERVICES  
Table of Contents: Subpart A-General Provisions, Sec. 412.4 Discharges and Transfers.**

- (a) Discharges. Subject to the provisions of paragraphs (b) and (c) of this section, a hospital inpatient is considered discharged from a hospital paid under the prospective payment system when:
- (1) The patient is formally released from the hospital; or
  - (2) The patient dies in the hospital.
- (b) Transfer-Basic rule. A discharge of a hospital inpatient is considered to be a transfer for purposes of payment under this part if the discharge is made under any of the following circumstances:

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- (1) From a hospital to the care of another hospital that is-
    - (i) Paid under the prospective payment system; or
    - (ii) Excluded from being paid under the prospective payment system because of participation in an approved Statewide cost control program as described in subpart C of part 403 of this chapter.
  - (2) From one inpatient area or unit of a hospital to another inpatient area or unit of the hospital that is paid under the prospective payment system.
- (c) Transfers-Special 10 DRG rule. For discharges occurring on or after October 1, 1998, a discharge of a hospital inpatient is considered to be a transfer for purposes of this part when the patient's discharge is assigned, as described in Sec. 412.60(c), to one of the qualifying diagnosis-related groups (DRGs) listed in paragraph (d) of this section and the discharge is made under any of the following circumstances-
- (1) To a hospital or distinct part hospital unit excluded from the prospective payment system under subpart B of this part.
  - (2) To a skilled nursing facility.
  - (3) To home under a written plan of care for the provision of home health services from a home health agency and those services begin within 3 days after the date of discharge.
- (d) Qualifying DRGs. The qualifying DRGs for purposes of paragraph (c) of this section are DRGs 14, 113, 209, 210, 211, 236, 263, 264, 429, and 483.
- (e) Payment for discharges. The hospital discharging an inpatient (under paragraph (a) of this section) is paid in full, in accordance with Sec. 412.2(b).
- (f) Payment for transfers.
- (1) General rule. Except as provided in paragraph (f)(2) or (f)(3) of this section, a hospital that transfers an inpatient under the circumstances described in paragraph (b) or (c) of this section, is paid a graduated per diem rate for each day of the patient's stay in that hospital, not to exceed the amount that would have been paid under subparts D and M of this part if the patient had been discharged to another setting. The per diem rate is determined by dividing the appropriate prospective payment rate (as determined under subparts D and M of this part) by the geometric mean length of stay for the specific DRG to which the case is assigned. Payment is graduated by paying twice the per diem amount for the first day of the stay, and the per diem amount for each subsequent day, up to the full DRG payment.
  - (2) Special rule for DRGs 209, 210, and 211. A hospital that transfers an inpatient under the circumstances described in paragraph (c) of this section and the transfer is assigned to DRGs 209, 210 or 211 is paid as follows:
    - (i) 50 percent of the appropriate prospective payment rate (as determined under subparts D and M of this part) for the first day of the stay; and
    - (ii) 50 percent of the amount calculated under paragraph (f)(1) of this section for each day of the stay, up to the full DRG payment.
  - (3) Transfer assigned to DRG 385. If a transfer is classified into DRG 385 (Neonates, died or transferred) the transferring hospital is paid in accordance with Sec. 412.2(b).
  - (4) Outliers. Effective with discharges occurring on or after October 1, 1984, a transferring hospital may qualify for an additional payment for extraordinarily high-cost cases that meet the criteria for cost outliers as described in subpart F of this part.

[63 FR 41003, July 31, 1998, as amended at 65 FR 47106, Aug. 1, 2000]

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