

FY 2021 - MAC Implementation File 5

MACs shall update the PSF by following the steps **in the order listed below to ensure the appropriate wage index is assigned properly** based on policies described in the corresponding implementation instructions. **We note, as MACs follow the steps in the sequence below, they may overwrite values filled in from a previous step.**

Files for download listed throughout this document are available on the CMS website. Files mentioned in this document include:

- **Table 2:** Wage Index Table by CCN
- **Table 4B:** Counties Redesignated Under Section 1886(d)(8)(B) of the Act (LUGAR COUNTIES)
- **County to CBSA Crosswalk file**

MACs shall use the following link to download these files from the CMS website (when not otherwise specified):

- <https://www.cms.gov/medicare/acute-inpatient-pps/fy-2021-ippa-final-rule-home-page>

Alternatively, the files on the webpage listed above are also available on the CMS website at [Acute Inpatient PPS website](#). Click on the link on the left side of the screen titled, “FY 2021 IPPS Final Rule Home Page” or the link titled “Acute Inpatient--Files for Download” (and select ‘Files for FY 2021 Final Rule and Correction Notice’).

Note: Unless otherwise instructed, MACs shall use the final rule or if applicable correction notice version of the tables and data files posted on the FY 2021 Final Rule Tables and FY 2021 Final Rule Data Files webpages. Information on revisions made to the applicable correction notice tables and data files can be found on the MAC Implementation Files Webpage.

In general, for all tables, use the tab in Excel labeled with the term “FR” unless there is a tab with label “CN”. For example, for Table 2, use the tab labeled “Table 2 CN” and not the tab labeled “Table 2 FR”.

NEW FOR FY 2021: Table 2 has been restructured and now lists the CBSA in the columns titled “LUGAR/NECMA” and “MGCRB Reclass” instead of using flags. Also, if a hospital is in a LUGAR county or is reclassified, to determine the CBSA for payment, use the column titled “Wage Index Payment CBSA”; there is no longer a column titled “Reclassified/ Redesignated CBSA”. Counties eligible for the out-migration adjustment are now listed in Table 4A. Additionally, eligible LUGAR Counties are now listed in Table 4B rather than as a MAC Implementation file.

Section 1: Hospitals Listed on FY 2021 Table 2

Step 1- STATE CODE, GEOGRAPHIC CBSA, COUNTY CODE, SUPPLEMENTAL WAGE INDEX FIELD (NEW FOR FY 2021), and SUPPLEMENTAL WAGE INDEX

FY 2021 - MAC Implementation File 5

FLAG (NEW FOR FY 2021): Ensure the following fields are filled out for all providers with the correct value:

- **State Code (Data element 19)** contains the two digit state code. This field must match the first state code listed for each state on Publication 100-07, State Operations Manual, Chapter 2, Section 2779A1. This manual is available on the CMS website at [State Operations Manual Chapter 2](#).
- **Actual Geographic Location Core-Based Statistical Area (CBSA) field (Data Element 35)** contains either a two digit state code or a 5 digit CBSA code (depending on if the hospital is physically located in an urban or rural area). **NOTE (New for FY 2021 FOR ALL HOSPITALS):** CMS adopted revised CBSAs for FY 2021. Therefore, a hospital's geographic CBSA for FY 2021 may differ from FY 2020. MACs shall ensure this field matches the value in the "Geographic CBSA" column on FY 2021 Final Rule Table 2.
- **County Code field (Data Element 60)** contains the 5 digit Federal Information Processing Standards (FIPS) county code. This field should match the value on the "FIPS County Code" column on FY 2021 Final Rule Table 2.
- **NEW FOR FY 2021 FOR ALL HOSPITALS Supplemental Wage Index Field (Data Element 63) and Supplemental Wage Index Flag (Data Element 64):** Change Request 11707 (on the CMS website at <https://www.cms.gov/files/document/r10121cp.pdf>) created two new PSF fields, the Supplemental Wage Index field (data element 63) and the Supplemental Wage Index Flag (data element 64). For FY 2021, for all hospitals, the Supplemental Wage Index Flag (data element 64) must be "1" and the Supplemental Wage Index field (data element 63) should equal the wage index in Table 2 in the column labeled "FY 2020 Wage Index". FISS will issue a return code of 52 for all inpatient claims until the MAC fills in both these fields. These fields are used by the Pricer to determine the application of the 5 percent cap on the decrease in a hospital's wage index.

Step 1a- Removal of Special Pay Wage Index: Pricer will apply the out migration adjustment. Therefore, for all IPPS providers, MACs shall ensure that no hospital has a "1" or "2" in the Special Payment Indicator (data element 33) field and no wage index value in the Special Wage Index field (data element 38) with an effective date of October 1, 2020. Unless otherwise instructed by CMS, MACs must seek approval from the CMS Central Office to use a "1" or "2" in the Special Payment Indicator (data element 33) field and a wage index value in the Special Wage Index field (data element 38).

Step 1b- Indian Health Providers: Pricer will apply the applicable wage index for Indian Health Service (IHS) or Tribal hospitals if the Provider Type Field (data element 9) is a "08". MACs shall ensure that data element 9 contains "08" for IHS or Tribal hospitals and follow the rest of the steps below in this section.

Step 2- LUGAR Hospitals

- a) The following hospitals have waived LUGAR status for FY 2021 and are considered rural for all payments: 070004 and 070011. For these hospitals, MACs shall enter the following with an effective date of October 1, 2020:

FY 2021 - MAC Implementation File 5

- Data element 35 (Actual Geographic Location CBSA) reflects the CBSA of the hospital's geographic rural location. This field should match the value in the "Geographic CBSA" column on FY 2021 Table 2.
- Data elements 33, 36, and/or 37 shall contain "blank" values.

***Note:** These hospitals above are now eligible for the out-migration adjustment (as described in the note below in this section).*

b) For hospitals that have the following:

- An active urban to rural 412.103 reclassification as of October 1, 2020
- A "Y" in the "Dual Status 412.103 and MGCRB/LUGAR" column of FY 2021 Table 2
- A CBSA listed in the "LUGAR/NECMA" and/or "MGCRB Reclass" column of FY 2021 Table 2

MACs shall enter the following with an effective date of October 1, 2020:

- Enter the two digit state code from data element 19 in the Standardized Amount CBSA field (data element 37).
- Enter a "Y" for reclassified in the Special Payment Indicator field (data element 33)
- Enter the CBSA from the "Wage Index Payment CBSA" column on FY 2021 Table 2 in the Wage Index Location CBSA field (data element 36)
- Ensure that data element 38 is blank

***Note:** Under this scenario (2(b)), MACs shall ensure that hospitals located in a LUGAR county, that is, hospitals that have an active urban to rural 412.103 reclassification as of October 1, 2020 and did not waive its LUGAR status, are properly reflected in the PSF per the instruction above (for a list of hospitals that waived LUGAR status and instructions for the PSF, see step 2(a)).*

c) For hospitals that have the following on FY 2021 Table 2:

- A CBSA listed in the "LUGAR/NECMA" column.
- Do **not** have a CBSA listed in the "MGCRB Reclass" column
- A blank in the "Dual Status 412.103 and MGCRB/LUGAR" column.

MACs shall enter the following with an effective date of October 1, 2020:

- Ensure the two digit rural CBSA state code from the "Geographic CBSA" column (FY 2021 Table 2) is in the Geographic Location Core-Based Statistical Area (CBSA) field in the PSF (data element 35). (This two digit rural CBSA code is the same as the state code in data element 19.)
- Enter a "Y" for reclassified in the Special Payment Indicator field (data element 33)
- Enter the CBSA from the "Wage Index Payment CBSA" column in FY 2021 Table 2 in the Wage Index Location CBSA field (data element 36)
- Enter the CBSA from the "LUGAR/NECMA" column in FY 2021 Table 2 in the Standardized Amount CBSA field (data element 37).

d) For hospitals that have the following on FY 2021 Table 2:

FY 2021 - MAC Implementation File 5

- A CBSA listed in the “Lugar/NECMA” column.
- A CBSA listed in the “MGCRB Reclass” column.
- A blank in the “Dual Status 412.103 and MGCRB/LUGAR” column.

MACs shall enter the following with an effective date of October 1, 2020:

- Ensure the two digit state code from data element 19 matches the Geographic Location Core-Based Statistical Area (CBSA) field in the PSF (data element 35).
- Enter a "Y" for reclassified in the Special Payment Indicator field (data element 33)
- Enter the CBSA from the “Wage Index Payment CBSA” column on FY 2021 Table 2 in the Wage Index Location CBSA field (data element 36)
- Enter the CBSA from the “LUGAR/NECMA” column in FY 2021 Table 2 in the Standardized Amount CBSA field (data element 37).

Note for FY 2021, there is an update to the LUGAR CBSA for certain counties listed Table 4b. Some counties are no longer deemed LUGAR and some counties have been added to the list of LUGAR counties, effective FY 2021.

Step 3- Urban to Rural Reclassification (42 CFR 412.103):

For hospitals that have the following:

- An active urban to rural 412.103 reclassification as of October 1, 2020.
- A “Y” in the “Hospital Reclassified as Rural Under Section 1886(d)(8)(E) of the Act (412.103)” column of FY 2021 Table 2.
- A blank in the “Dual Status 412.103 and MGCRB/LUGAR” column of FY 2021 Table 2.

MACs shall enter the following with an effective date of October 1, 2020:

- Enter the two digit state code from data element 19 in the Standardized Amount CBSA field (data element 37).
- Ensure that data elements 33, 36, and 38 are blank.

Note: FY 2021 Table 2 contains a hospital’s urban to rural 412.103 reclassification status as of the time of the development of the FY 2021 final rule. A hospital may have been approved or may have cancelled urban to rural 412.103 reclassification after this time and before October 1, 2020; thus, a hospital’s urban to rural 412.103 reclassification status at the time of the effective date of this instruction may not be reflected in FY 2021 Table 2. Therefore, MACs shall ensure that any changes in urban to rural 412.103 reclassification status are reflected in the PSF so hospitals are paid appropriately for periods prior to and after October 1, 2020. To update the PSF, follow the instructions in Section 3 (titled “Hospitals Approved for an Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year”) below, if the hospital was approved for an urban to rural 412.103 reclassification, and follow the instructions in Section 4 (titled “Hospitals that Cancel their Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year”) below, if the hospital cancelled its urban to rural 412.103 reclassification. As discussed in these sections, it may be necessary for the MAC to reprocess

FY 2021 - MAC Implementation File 5

claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.

Note: For hospitals that are subsequently approved for urban to rural 412.103 reclassification with an effective date after 10/1/2020, see Section 3 (titled “Hospitals Approved for an Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year”) below. Also, for hospitals that subsequently cancel an approved urban to rural 412.103 reclassification with an effective date after 10/1/2020, see Section 4 (titled “Hospitals that Cancel their Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year”) below.

Step 4- MGCRB Reclassification:

a) For hospitals that have the following:

- An active urban to rural 412.103 reclassification as of October 1, 2020.
- A “Y” in the “MGCRB Reclass to Home” column of FY 2021 Table 2.
- The CBSA in the “Geographic CBSA” column **matches** the CBSA in the “MGCRB Reclass column” in FY 2021 Table 2.

MACs shall enter the following with an effective date of October 1, 2020:

- Enter the two digit state code from data element 19 in the Standardized Amount CBSA field (data element 37).
- Enter a "D" for reclassified in the Special Payment Indicator field (data element 33)
- Enter the CBSA from the “Wage Index Payment CBSA” column on FY 2021 Table 2 in the Wage Index Location CBSA field (data element 36)

Note: Under this scenario (4(a)), MACs shall ensure that hospitals with dual status have an active urban to rural 412.103 reclassification as of October 1, 2020.

b) For hospitals that have the following:

- An active urban to rural 412.103 reclassification as of October 1, 2020
- A “Y” in the “Dual Status 412.103 and MGCRB/LUGAR” column of FY 2021 Table 2
- A CBSA listed in the “MGCRB Reclass” column,
- A blank in the “MGCRB Reclass to Home” column of FY 2021 Table 2.
- The “Lugar/NECMA” column is blank in FY 2021 Table 2.
- The CBSA in the “Geographic CBSA” column **differs** from the CBSA in the “MGCRB Reclass column”.

MACs shall enter the following with an effective date of October 1, 2020:

- Enter the two digit state code from data element 19 in the Standardized Amount CBSA field (data element 37).
- Enter a "Y" for reclassified in the Special Payment Indicator field (data element 33)
- Enter the CBSA from the “Wage Index Payment CBSA” column on FY 2021 Table 2 in the Wage Index Location CBSA field (data element 36)

FY 2021 - MAC Implementation File 5

- Ensure that data element 38 is blank

Note: Under this scenario (4(b)), MACs shall ensure that hospitals with dual status have an active urban to rural 412.103 reclassification as of October 1, 2020.

c) For hospitals that have the following on the FY 2021 Table 2:

- A CBSA listed in the “MGCRB Reclass” column.
- A blank in the “Dual Status 412.103 and MGCRB/LUGAR” column
- A blank in the “Lugar/NECMA” column.

MACs shall enter the following with an effective date of October 1, 2020:

- Enter a "Y" for reclassified in the Special Payment Indicator field (data element 33)
- Enter the reclassified CBSA from the column titled “Wage Index Payment CBSA” on FY 2021 Table 2 in the Wage Index Location CBSA field (data element 36).
- Ensure that data elements 37 and 38 are blank.

Step 5:

- (a) If a hospital is located in a LUGAR county or qualified for reclassification (MGCRB and/or urban to rural 412.103) in FY 2020, MACs must verify that the hospital’s LUGAR status or reclassification carries over to FY 2021. MACs shall ensure that all hospitals that are located in a LUGAR county or qualified for reclassification in FY 2020 continue to maintain such status by following steps 1-4 above.
- (b) If a hospital no longer has a CBSA in the “Lugar/NECMA” column on FY 2021 Table 2, or no longer has a CBSA in the “MGCRB Reclass” column on FY 2021 Table 2 for FY 2021, MACs shall delete the reclassified CBSA from data elements 36 and/or 37 and insert “blank” in data element 33 with an effective date of October 1, 2020.

NOTE: Out Migration Adjustment: The Pricer will apply the out migration adjustment. Hospitals that are LUGAR (and did not waive their LUGAR status) or that have a MGCRB or urban to rural 412.103 reclassification are not eligible for the out migration adjustment. Therefore, if the MAC has entered a "Y" in the Special Payment Indicator field (data element 33) from step 2, 3 or 4 or has entered the rural CBSA in data element 37, then the hospital does not qualify for the out migration adjustment.

Section 2: Hospitals Not Listed on FY 2021 Table 2 and New Hospitals in FY 2021

Note: Only hospitals listed on FY 2021 Table 2 are typically eligible for MGCRB reclassification. Therefore, this section does not address MGCRB reclassification.

NEW FOR FY 2021: Step 1- In FY 2020, for hospitals not listed on Table 2, MACs emailed CMS for the hospital’s FY 2020 wage index which included the wage index quartile and cap policies if applicable. As noted above, Change Request 11707 (on the CMS website at <https://www.cms.gov/files/document/r10121cp.pdf>) created two new PSF fields, the

FY 2021 - MAC Implementation File 5

Supplemental Wage Index (data element 63) and the Supplemental Wage Index Flag (data element 64). The Pricer needs a hospital's FY 2020 wage index (or what the FY 2020 wage would have been if the hospital existed in FY 2020) in the supplemental wage index field (data element 63) in order to properly apply all wage index policies and determine a hospital's FY 2021 wage index. Therefore, for FY 2021, for all hospitals, the Supplemental Wage Index Flag (data element 64) must be "1" and all hospitals must have a wage index in the Supplemental Wage Index field (data element 63). FISS will issue a return code of 52 for all inpatient claims until the MAC fills in both these fields. See below for complete instructions.

MACs shall ensure that no hospital has a "1" or "2" in the Special Payment Indicator (data element 33) field and no wage index value in the Special Wage Index field (data element 38) with an effective date of October 1, 2020. Unless otherwise instructed by CMS, MACs must seek approval from the CMS Central Office to use a "1" or "2" in the Special Payment Indicator (data element 33) field and a wage index value in the Special Wage Index field (data element 38).

1a. What do MACs need to do for hospitals not listed on FY 2021 Table 2?

If the MAC emailed CMS during FY 2020 for a hospital's FY 2020 wage index and was approved to use the Special Payment Indicator (data element 33) with a flag of "1" or "2" and the Special Wage Index field (data element 38) for FY 2020, then the MAC shall do the following with an effective date of October 1, 2020:

- Copy the wage index from the Special Wage Index field (data element 38) from FY 2020 into the Supplemental Wage Index field (data element 63).
- Enter a "1" into the Supplemental Wage Index Flag (data element 64)
- Ensure that data elements 37 and 38 are blank.
- Continue with Step 1A-Step 6 below.

If the MAC **did not** email CMS during FY 2020 for a hospital's FY 2020 wage index, then the MAC shall do the following:

- First complete Step 1A-Step 6 below.
- Email the CMS Central Office at wageindex@cms.hhs.gov requesting the calculation of the hospital's FY 2020 wage index. Make sure to include in your email the following: FIPS county code (data element 60), the Actual Geographic Location CBSA (data element 35), the Wage Index Location CBSA (data element 36), the Standardized Amount CBSA (data element 37), Special Payment Indicator field (data element 33) and the effective date in the PSF.
- Enter a "1" into the Supplemental Wage Index Flag (data element 64)
- Enter the wage index provide by the CMS Central Office into the Supplemental Wage Index field (data element 63).
- Ensure that data elements 37 and 38 are blank.

1b. What will happen to claims for a hospital not listed on FY 2021 Table 2 without a Supplemental Wage Index Flag (data element 64) of "1" and/or without a wage index in the Supplemental Wage Index field (data element 63)? FISS will issue a return code of 52 for all inpatient claims until the MAC has inserted a "1" on the Supplemental Wage Index Flag (data element 64) and a wage index in the Supplemental Wage Index field (data element 63).

FY 2021 - MAC Implementation File 5

1c. What happens if a hospital with a new provider number is established mid fiscal year?

MACs shall first complete steps 1a through step 6 below and follow the instructions in step 1a right above.

In general, for the steps below, if the hospital was opened and certified to participate in Medicare prior to October 1, 2020 then the effective date in the PSF should be October 1, 2020. For new hospitals opened and certified to participate in Medicare after October 1, 2020 and on or before September 30, 2020, the effective date in the PSF should be the date the hospital was opened and certified to participate in Medicare.

Step 2a- STATE CODE (Data Element 19): Ensure the state code in data element 19 is filled out. This field should match the first state code listed for each state on Publication 100-07, State Operations Manual, Chapter 2, Section 2779A1. This manual is available on the CMS website at [State Operations Manual Chapter 2](#).

Step 2b- Indian Health Providers (Data Element 9): Pricer will apply the applicable wage index for Indian Health Service (IHS) or Tribal hospitals if the Provider Type Field (data element 9) is a “08”. MACs shall ensure that data element 9 contains “08” for IHS or Tribal hospitals and follow the rest of the steps below in this section.

Step 2c- Special Payment Indicator (Data Element 33) field and Special Wage Index field (data element 38): MACs shall ensure that no hospital has a “1” or “2” in the Special Payment Indicator (data element 33) field and no wage index value in the Special Wage Index field (data element 38) with an effective date of October 1, 2020. Unless otherwise instructed by CMS, MACs must seek approval from the CMS Central Office to use a “1” or “2” in the Special Payment Indicator (data element 33) field and a wage index value in the Special Wage Index field (data element 38).

Step 3a- County Code (Data Element 60): Enter the FIPS county code in the county code field (data element 60). MACs shall determine the county where the provider is located and enter the appropriate FIPS county code in the “FIPS County Code” column from the *County to CBSA Crosswalk* file on the FY 2021 Final Rule webpage.

Step 3b- Geographic Location (Data Element 35): **NOTE (New for FY 2021 FOR ALL HOSPITALS):** CMS adopted revised CBSAs for FY 2021. Therefore, a hospital’s geographic CBSA for FY 2021 may differ from FY 2020. MACs shall ensure the Actual Geographic Location Core-Based Statistical Area (CBSA) field in the PSF (data element 35) reflects the correct current CBSA delineations. Use the *County to CBSA Crosswalk* file on the FY 2021 Final Rule webpage. Determine the county that the hospital is located in (data element 19) and enter the CBSA code from the column titled “FY 2021 CBSA (Revised Delineations)” in data element 35. If the CBSA column in the *County to CBSA Crosswalk* file is blank, then the hospital is rural, and enter the two digit state code from data element 19 into data element 35.

Step 4- LUGAR Hospitals:

FY 2021 - MAC Implementation File 5

- a) For hospitals located in rural counties that are deemed LUGAR counties on Table 4B and are not approved for an urban to rural 412.103 reclassification, MACs shall do the following:

- Enter a "Y" for reclassified in the Special Payment Indicator field (data element 33)
- Enter the urban CBSA on Table 4B from the column titled "LUGAR CBSA" in the Wage Index Location CBSA field (data element 36) *and* in the Standardized Amount CBSA field (data element 37)

Note: Only those counties listed in Table 4B are deemed LUGAR for FY 2021.

- b) For hospitals located in rural counties that are deemed LUGAR counties on Table 4B and have been approved by the CMS Regional Office to reclassify as rural under section 1886(d)(8)(E) of the Act (42 CFR 412.103), MACs shall do the following:

- Enter the two digit state code from data element 19 in the Standardized Amount CBSA field (data element 37) with an effective date of October 1, 2020 or effective the date that the CMS Regional Office received the hospital's application (typically specified in the Regional Office's approval letter).
- Enter a "Y" for reclassified in the Special Payment Indicator field (data element 33).
- Enter the urban CBSA on Table 4B from the column titled "LUGAR CBSA" in the Wage Index Location CBSA field (data element 36)
- Ensure that data element 38 is blank.

Note: Only those counties listed on Table 4B are deemed LUGAR for FY 2021.

Step 5- Urban to Rural Reclassification (42 CFR 412.103):

If a hospital is located in an urban CBSA and has been approved by the CMS Regional Office to reclassify as rural under section 1886(d)(8)(E) of the Act (42 CFR 412.103) (and the hospital is not located in a LUGAR county on Table 4B and does not have a MGCRB reclassification), MACs shall do the following:

- Enter the two digit state code from data element 19 in the Standardized Amount CBSA field (data element 37) with an effective date of October 1, 2020 or effective the date that the CMS Regional Office received the hospital's application (typically specified in the Regional Office's approval letter).
- Ensure that data elements 33, 36, and 38 are blank.
- Ensure that all claims after the effective date in the PSF are paid correctly; the MAC may need to reprocess claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.

Note: For hospitals that are subsequently approved for urban to rural 412.103 reclassification with an effective date after 10/1/2020, see section 3 (titled "Hospitals Approved for an Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year") below. Also, for hospitals that subsequently cancel an approved urban to rural 412.103 reclassification with an effective date after 10/1/2020, see Section 4 (titled "Hospitals that Cancel their Urban to Rural

FY 2021 - MAC Implementation File 5

Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year”) below.

Step 6: For FY 2021, CMS revised the list of eligible LUGAR counties . Therefore, if the hospital existed in FY 2020 and was deemed LUGAR in FY 2020, for FY 2021 it may no longer be located in an eligible LUGAR county. Conversely, if the hospital existed in FY 2020 and was not located in a LUGAR county, it may now be located in a LUGAR county.

MACs MUST ensure that hospitals that were located in a LUGAR county in FY 2020 continue to maintain such status for FY 2021. MACs also must determine if a hospital was not located in a LUGAR county for FY 2020 may now be deemed LUGAR for FY 2021. Table 4B contains a list of counties deemed LUGAR for FY 2021.

If a hospital is located in a LUGAR county or qualified for reclassification (MGCRB and/or urban to rural 412.103) in FY 2020, MACs must verify that the hospital’s LUGAR status or reclassification carries over to (i.e., is still effective for) FY 2021. MACs shall ensure that all hospitals that are located in a LUGAR county or qualified for reclassification in FY 2020 continue to maintain such status by following steps 1-4 above. If a hospital no longer has LUGAR status or no longer qualifies for reclassification for FY 2021, MACs shall delete the reclassified CBSA from data elements 36 and/or 37 and insert “blank” in data element 33 and 38.

NOTE: Out-Migration Adjustment: *Pricer will apply the out-migration adjustment. Hospitals that are LUGAR (and did not waive their LUGAR status) or qualify for MGCRB or urban to rural 412.103 reclassification are not eligible for the out-migration adjustment. Therefore, if the MAC has entered a "Y" in the Special Payment Indicator field (data element 33) in step 3 or 4 or has entered the rural CBSA in data element 37, then the hospital cannot qualify for the outmigration adjustment.*

Section 3: Hospitals Approved for an Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year

At any point during a fiscal year, MACs may be notified by the CMS Regional Offices of hospitals located in an urban CBSA that are approved to reclassify as rural under section 1886(d)(8)(E) of the Act (42 CFR 412.103). The regulations at 412.103(a)(c) provide the CMS Regional Offices with up to 60 days to review and approve an urban to rural 412.103 reclassification request.

- a) Hospitals nationwide that have an MGCRB reclassification or LUGAR status and are then subsequently approved by the CMS Regional Office to reclassify as rural under section 1886(d)(8)(E) of the Act (42 CFR 412.103) **may keep** their existing LUGAR status or MGCRB reclassification for purposes of payment under the wage index. Under this scenario, MACs shall enter the following with an effective date in the PSF that is the date that the CMS Regional Office received the hospital’s urban to rural 412.103 reclassification application (typically specified in the Regional Office’s approval letter):
 - a) Enter the two digit state code from data element 19 in the Standardized Amount CBSA field (data element 37).

FY 2021 - MAC Implementation File 5

- b) Enter (or leave in place) a "Y" or "D" for reclassified in the Special Payment Indicator field (data element 33).
 - c) Enter (or leave in place) the MGCRB or LUGAR CBSA in the Wage Index Location CBSA field (data element 36)
 - d) Ensure that data element 38 is blank.
 - e) Ensure that all claims after the effective date in the PSF are paid correctly. We note, if the MAC made no changes to data elements 33 and 36 and therefore no changes were made to the wage index, an urban to rural 412.103 reclassification still affects other payment policies such as Medicare Disproportionate Share (DSH). Therefore, if necessary, the MAC may still need to reprocess claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.
- b) If the hospital is approved by the CMS Regional Office to reclassify as rural under section 1886(d)(8)(E) of the Act (42 CFR 412.103) **and does not** have an existing LUGAR status or MGCRB reclassification, MACs shall enter the following with an effective date in the PSF that is the date that the CMS Regional Office received the hospital's urban to rural 412.103 reclassification application (typically specified in the Regional Office's approval letter):
- Enter the two digit state code from data element 19 in the Standardized Amount CBSA field (data element 37).
 - Ensure that data elements 33, 36, and 38 are blank.
 - Ensure that all claims after the effective date in the PSF are paid correctly; if necessary, the MAC may need to reprocess claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.

Section 4: Hospitals that Cancel their Urban to Rural Reclassification Under Section 1886(d)(8)(E) of the Act (42 CFR 412.103) in the Middle of the Fiscal Year

If a hospital notifies the CMS Regional Office that it wishes to cancel its urban to rural reclassification under section 1886(d)(8)(E) of the Act (42 CFR 412.103), MACs shall do the following:

- a) Delete the rural CBSA from Standardized Amount CBSA field (data element 37) effective with the beginning of the hospital's next full cost reporting period (or if the hospital is a Rural Referral Center, effective with the beginning of the Federal fiscal year following the 12-month cost reporting period in which it was paid as rural). The effective date of this change must follow the rules of section 412.103(g).
- b) If the hospital is listed on FY 2021 Table 2, follow steps 1, 1a, 1b, 1c, 2c, 2d, 4a, 4c, and 5 in Section 1 above (titled "Hospitals Listed on FY 2021 Table 2") with the following exceptions:
 - For steps 2c and 2d, disregard the requirement that hospitals must have a blank in the "Dual Status 412.103 and MGCRB/LUGAR" column);
 - For step 4c, disregard the requirement that hospitals do not have a "Y" in the "Dual Status 412.103 and MGCRB/LUGAR" column).

FY 2021 - MAC Implementation File 5

***Note:** Per the steps required of this bullet, if the hospital has LUGAR status or is approved for reclassification by the MGCRB, leave in place the following: the MGCRB or LUGAR CBSA in the Wage Index Location CBSA field (data element 36) and the "Y" or "D" for reclassified in the Special Payment Indicator field (data element 33).*

- c) If the hospital is not listed on FY 2021 Table 2, follow steps 1, 1a, 1b, 1c, 2a, 2b, 2c, 3a, 3b, 4, 4a, 4b and step 6 (skip step 5) in section 2 above (titled "Hospitals Not Listed on FY 2021 Table 2 and New Hospitals in FY 2021").

***Note:** Per the steps required of this bullet, if the hospital has LUGAR status or is approved for reclassification by the MGCRB, leave in place the following: the MGCRB or LUGAR CBSA in the Wage Index Location CBSA field (data element 36) and the "Y" for reclassified in the Special Payment Indicator field (data element 33).*

- d) Ensure claims are paid correctly. It may be necessary for the MAC to reprocess claims from the effective date in the PSF until the date of reprocessing to ensure that claims are paid correctly.