
Program Memorandum Intermediaries

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal A-02-064

Date: JULY 24, 2002

CHANGE REQUEST 2204

SUBJECT: Excluding Hospitals that Provide Part B Only Services to Their Inpatients from the Outpatient Prospective Payment System (OPPS)

Effective for services provided on or after January 1, 2002, we are excluding from payment under the OPPS, covered Part B only services provided to inpatients when they are furnished by a hospital that does not submit claims for outpatient services under Medicare Part B. The Part B only services, which are payable for hospital inpatients who have either exhausted their Part A benefits or who are not entitled to Part A benefits are specified in §3110 of the Medicare Part A Intermediary Manual and in §228 of the Medicare Hospital Manual. These services include, but are not limited to diagnostic tests; x-ray and radioactive isotope therapy; surgical dressings; limb braces and trusses; and artificial limbs and eyes.

We realize that you may not know which of your hospitals bill in this fashion. Therefore, you must instruct your hospitals to notify you if they do not submit claims for outpatient Part B services, so that their claims (type of bill 12X) for Part B only services furnished to their inpatients can be identified, and appropriate payments made. In addition, since hospitals may notify you at any time that they provide only inpatient Part B services, you must develop the capability to make necessary changes on an ongoing basis when notified by one of your hospitals.

Because implementation of this policy will involve changes in your system and at your Shared System Maintainer (SSM), the implementation date will be January 1, 2003. The SSMs must develop the capability to route claims with dates of service January 1, 2002 and later to the non-OPPS Outpatient Code Editor (OCE) upon implementation of the 2003 release, since payment to these hospitals is not made under OPPS. Determine Medicare payment for excluded Part B only services for claims submitted on or after January 1, 2003, using the method under which the hospital was paid prior to OPPS. That methodology would be an all-inclusive rate for hospitals paid that way prior to implementation of OPPS or a reasonable cost basis for other hospitals. In addition, SSMs must notify CWF by populating payment method flag A2 so these claims can be excluded from OPPS CWF payment method edit 61#6.

Although the effective date of this instruction is January 1, 2002, it will not be implemented by SSMs until January 1, 2003. Therefore, advise your hospitals that they may hold claims or submit them for payment. Claims that are submitted for payment will be paid under OPPS. Also, advise your hospitals they may submit an adjustment bill after January 1, 2003, in order to receive appropriate payment under this provision. Do not adjust claims paid under the OPPS to these hospitals for the period of January 1, 2002 although December 31, 2002 unless brought to your attention.

Post a notice on your Web site regarding this information and include it in your next regularly scheduled bulletin. If you have electronic bulletin boards or listserv that are used to communicate with your provider community, post this message to your providers using that facility.

The *effective date* for this Program Memorandum (PM) is for services provided on or after January 1, 2002.

The *implementation date* for this PM is January 1, 2003.

These instructions should be implemented within your current operating budget.

This PM may be discarded after January 1, 2004.

If you have any questions, contact your regional office.

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