
Program Memorandum Intermediaries

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

Transmittal A-01-125

Date: SEPTEMBER 28, 2001

CHANGE REQUEST 1838

SUBJECT: Guidance Regarding a Change in Reimbursement for Part B Inpatient Ancillary Services

The purpose of this Program Memorandum (PM) is to provide guidance regarding a change in reimbursement for Part B inpatient ancillary services involving the application of a 5.8 percent cost reduction for the services.

Background

Inpatient ancillary services are medical and other health services furnished to a hospital inpatient who has exhausted or is otherwise not eligible for Part A coverage and who has Part B coverage, provided that the services would have been covered under Part A but for the exhaustion of Part A benefits. Inpatient ancillary services are reimbursed under Medicare Part B. Examples of inpatient ancillary services are diagnostic x-ray tests, diagnostic laboratory tests, and prosthetic devices.

Between 1990 and August 1, 2000, the implementation of the outpatient prospective payment system (OPPS), operating costs for hospital outpatient services were reduced by 5.8 percent in computing reimbursement. This 5.8 percent reduction should not be applied when computing reimbursement for inpatient ancillary services.

Effective Date

This PM applies only to properly pending claims. Specifically, the actions requested below are to be taken only for portions of hospital cost reporting periods between Federal Fiscal Year (FFY) 1991 and August 1, 2000, that are either: (1) "open" (i.e., awaiting final settlement by the intermediary), in cases where the 5.8 percent cost reduction was applied to Part B inpatient ancillary services, or (2) settled and pending in a jurisdictionally valid appeal or civil action on such issue.

For cases pending at the Provider Reimbursement Review Board, this instruction applies only to appeals on original notices of amount of program reimbursement (NPRs). It does not apply to appeals on revised NPRs pending on any issues other than the application of the 5.8 percent cost reduction to Part B inpatient ancillary services. For appeals in a civil action, the application of the 5.8 percent cost reduction to Part B inpatient ancillary services must be at issue.

Action Requested

For the aforementioned cost reporting periods, intermediaries are to revise the reimbursement for Part B inpatient services by making reimbursement as they normally would have done, with the exception of applying the 5.8 percent cost reduction in column 5 of Worksheet D, HCFA-2552-96.

Vendor systems will not be modified.

The effective date for this PM is September 28, 2001.

The implementation date for this PM is September 28, 2001.

CMS-Pub. 60A

These instructions should be implemented within your current operating budget.

This PM may be discarded after September 28, 2002.

If you have any questions, contact Sandy Hetrick on (410) 786-4542.