
Program Memorandum Intermediaries

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

Transmittal A-01-68

Date: MAY 17, 2001

CHANGE REQUEST 1630

SUBJECT: Adjusting Clinical Diagnostic Laboratory Test Claims Furnished by Critical Access Hospitals (CAHs)

It was stated in Program Memorandum (PM) A-01-31, Change Request 1568, dated March 1, 2001, that further instructions would be forthcoming on the adjustment process for any CAH that was paid under the fee schedule for outpatient lab services furnished on or after the enactment of the Balanced Budget Refinement Act of 1999 (BBRA). This PM instructs you to adjust clinical diagnostic laboratory test claims for CAHs that were paid under the fee schedule with service dates of November 29, 1999, through June 30, 2001. Take the following situations under consideration before starting your method of adjustment.

1. For services furnished after November 28, 1999, but before the end of a cost reporting period for which a cost report has been submitted and settled, the cost report should be reopened and the laboratory costs would be calculated using the fiscal years reported cost to charge ratio.
2. For services furnished after November 28, 1999, but before the end of the cost reporting period for which a cost report has been submitted but not settled, make an interim payment adjustment under one of the two methods described below.
3. For services furnished after the start of a cost reporting period that has not yet ended, but before July 1, 2001, make an interim payment adjustment under one of the two methods described below.

Choose one of the following methods to complete your adjustments -

A. Use of the Provider Statistical and Reimbursement (PS&R):

1. Use the PS&R to determine billed charges for outpatient lab services;
2. From the most recently settled cost report, determine the ratio of costs to charges for the laboratory cost center;
3. Multiply item 1 (billed charges for outpatient lab services) by item 2 (Cost/charge ratio for lab cost center) to calculate estimated reasonable costs of outpatient lab services;
4. Determine the amounts actually paid for outpatient lab service under the fee schedule; and
5. Subtract item 4 amount (actual fee schedule payments) from item 3 (estimated reasonable costs of outpatient lab services). The result is the estimated underpayment.

This will enable you to pay a lump sum interim payment to the CAH for claims that were reimbursed using the fee schedule.

The lump sum adjustments, the charges, and interim payments from the fee schedules, must be included on the cost reports.

B. Reprocessing claims :

This method may be used if, after you have consulted with your facilities, you find that it is not a hardship on them. Of course, using this method will delay payment to the CAH provider until after the end of the cost reporting period.

H.

Regardless of the method used, any interim adjustments made during a cost reporting period must be taken into account during final settlement of the cost report for that period.

The *effective date* for this PM is November 29, 1999.

The *implementation dates* for this PM are:

Option A - June 15, 2001.

Option B - Upon cost settlement date.

These instructions should be implemented within your current operating budget.

This PM may be discarded after March 31, 2002.

If you have any questions concerning this PM, please contact Doris Barham at 410-786-6146.