
Program Memorandum Intermediaries/Carriers

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

Transmittal AB-01-148

Date: OCTOBER 18, 2001

CHANGE REQUEST 1875

SUBJECT: Ambulance Inflation Factor for 2002

Scope

This Program Memorandum (PM) furnishes you with the 2002 ambulance services inflation factor (AIF) for determining the payment limit for ambulance services required by section 1834(l) of the Social Security Act (the Act).

Background

Section 1834(l)(3)(A) of the Act provides the basis for updating payment limits for ambulance services. Specifically, this section provides for an update in payments for 2002 that is equal to the percentage increase in the consumer price index for all urban consumers (CPI-U), for the 12-month period ending with June of the previous year, reduced by 1.0 percentage point. The resulting percentage is referred to as the ambulance inflation factor (AIF).

Customarily, the AIF is applied to the prior year's reasonable charge or reasonable cost limit. However, in 2001 there were two payment limits in effect because section 423 of the Benefits Improvement and Protection Act of 2000 mandated two AIFs for 2001. There was one AIF for the period January 1, 2001 through June 30, 2001 and a second AIF for the period July 1, 2001 through December 31, 2001. Because there were two AIFs in 2001, there is no single 2001 reasonable charge or reasonable cost limit to which the 2002 AIF may be applied. Accordingly, an adjustment to the usual method is required to determine 2002 payment limits.

Using the statutory AIF for 2002, we have calculated an adjusted 2002 AIF so that when applied to the latest payment limits that are available in your systems (that is, the rates in effect for the period July 1, 2001 through December 31, 2001) the effect is the same as if the 2002 statutory AIF were applied to the average of the payment limits for both 2001 periods. Thus, in order to simplify the implementation of the 2002 update, we have determined the AIF specified in this PM as the effective AIF that is required to produce correct 2002 payment limits.

Policy

The AIF for calendar year 2002 is **1.2 percent**.

Implementation

Apply the 2002 AIF of 1.2 percent to the payment limits in effect during July 1, 2001 through December 31, 2001.

Provider Education

Advise providers of the 2002 AIF and the methodology by which the AIF is being applied.

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The *effective date* for this Program Memorandum (PM) is January 1, 2002.

The *implementation date* for this PM is January 1, 2002.

These instructions should be implemented within your current operating budget.

This PM may be discarded after January 1, 2003.

If you have any questions, contact Glenn McGuirk at 410-786-5723, or gmcguirk@cms.hhs.gov.