

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-20 One-Time Notification	Centers for Medicare & Medicaid Services (CMS)
Transmittal 330	Date: APRIL 4, 2008
	Change Request 5961

Subject: Extension of Reasonable Cost Payment for Clinical Lab Tests Furnished by Hospitals with Fewer Than 50 Beds in Qualified Rural Areas

I. SUMMARY OF CHANGES: This CR provides instruction to extend reasonable cost payment for clinical lab tests performed by hospitals with fewer than 50 beds in qualified rural areas as part of their outpatient services for cost reporting periods beginning on or after July 1, 2004, through June 30, 2008.

New / Revised Material

Effective Date: Cost reporting periods beginning on July 1, 2007 through June 30, 2008

Implementation Date: July 7, 2008

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	Chapter / Section / Subsection / Title
N/A	

III. FUNDING:

SECTION A: For Fiscal Intermediaries and Carriers:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

SECTION B: For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

One-Time Notification

**Unless otherwise specified, the effective date is the date of service.*

Attachment – One Time Notification

Pub. 100-20	Transmittal: 330	Date: April 4, 2004	Change Request: 5961
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SUBJECT: Extension of Reasonable Cost Payment for Clinical Lab Tests Furnished by Hospitals with Fewer Than 50 Beds in Qualified Rural Areas

Effective Date: Cost reporting periods beginning on July 1, 2007 through June 30, 2008

Implementation Date: July 7, 2008

I. GENERAL INFORMATION

A. Background:

Section 416 of the Medicare Modernization Act (MMA) of 2003

CMS issued Change Request (CR) 3130 on February 13, 2004, to implement procedures to provide reasonable cost payment for outpatient clinical laboratory tests furnished by hospitals with fewer than 50 beds in qualified rural areas for cost reporting periods beginning during the 2-year period beginning on July 1, 2004.

Section 105 of the Tax Relief and Health Care Act (TRHCA) of 2006

On February 2, 2007, CMS issued CR 5493 to extend the 2-year provision outlined within CR 3301 for an additional cost-reporting year. Because CR 5493 was implemented beyond the original sun-setting date outlined in CR 3301, contractors were instructed to adjust any claims for laboratory services that should have received reasonable cost payment under Section 105 of the TRHCA.

B. Policy:

Section 107 of the Medicare, Medicaid and State Children’s Health Insurance Program (SCHIP) Extension Act of 2007

Section 107 of this Act extends reasonable cost payment for clinical lab tests performed by hospitals with fewer than 50 beds in qualified rural areas as part of their outpatient services for cost reporting periods beginning on or after July 1, 2004 through June 30, 2008. This could affect services performed as late as June 30, 2009.

II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an “X” in each applicable column)								
		A B M A C	D M M A C	F I	C A R R I E R	R H I	Shared-System Maintainers			
						F I S S	M C S	V M S	C W F	
5961.1	The Fiscal Intermediary Standard System shall utilize the Medicare Zip Code File to identify qualified rural areas. Note: A qualified rural area in the context of this CR is one with a population density in the lowest quartile of all rural county populations.	X		X			X			
5961.2	Effective for an <u>entire</u> cost reporting period beginning on or after July 1, 2007 through June 30, 2008, contractors shall update the Special Locality Indicator field within the Outpatient Provider Specific File (OPSF) with an indicator	X		X						

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
	of '1' to identify hospitals in a qualified rural area that have fewer than 50 beds.										
5961.3	Effective for an <u>entire</u> cost reporting period beginning on or after July 1, 2007 through June 30, 2008, contractors shall calculate payment on a reasonable cost basis for outpatient clinical laboratory services from qualified hospitals.	X		X			X				
5961.3.1	Contractors shall calculate reasonable cost payment for services on a Revenue Code 030X line submitted on either a 12X or 13X Type of Bill (TOB).	X		X			X				
5961.4	Contractors shall not hold the beneficiary liable for any deductible, coinsurance, or any other cost-sharing amount.	X		X			X				
5961.5	Contractors shall adjust any claims that were not previously paid according to reasonable cost, but should have per section 107 of the Medicare, Medicaid and State Children Health Insurance Program (SCHIP) Extension Act of 2007.	X		X							

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
5961.6	A provider education article related to this instruction will be available at http://www.cms.hhs.gov/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X		X							

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Joe Bryson at joseph.bryson@cms.hhs.gov or 410-786-2986

Post-Implementation Contact(s): Regional Office

VI. FUNDING

Section A: For *Fiscal Intermediaries (FIs), Carriers, and Regional Home Health Carriers (RHHIs)*:

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

Section B: For *Medicare Administrative Contractors (MACs)*:

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.