
CMS Manual System

Pub. 100-04 Medicare Claims Processing

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

Transmittal 379

Date: November 26, 2004

CHANGE REQUEST 3439

SUBJECT: Low Osmolar Contrast Material/Laboratory Tests/Payment for Inpatient Services Furnished by a Critical Access Hospital (CAH)

I. SUMMARY OF CHANGES: We are revising the Medicare Claims Processing Manual to state that payment will be made to CAHs for Low Osmolar Contrast Material (LOCM) furnished to inpatients or outpatients as part of medically necessary imaging procedures. We also are clarifying that if CAHs set up “draw stations” in non-CAH providers or facilities, payment for clinical diagnostic laboratory tests performed on those specimens will not be made on a reasonable cost basis.

NEW/REVISED MATERIAL - EFFECTIVE DATE*: January 1, 2005
IMPLEMENTATION DATE: April 4, 2005

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. 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 not updated.)
(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	3/30/30.1.1/Payment for Inpatient Services Furnished by a CAH
R	4/250/250.1/Standard Method - Cost Based Facility Services, With Billing of Carrier for Professional Services
R	4/250/250.6/Clinical Diagnostic Laboratory Tests Furnished by CAHs

III. FUNDING: Medicare contractors shall implement these instructions within their current operating budgets.

IV. ATTACHMENTS:

X	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

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

Attachment - Business Requirements

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SUBJECT: Low Osmolar Contrast Material/Laboratory Tests/Payment for Inpatient Services Furnished by a Critical Access Hospital (CAH)

I. GENERAL INFORMATION

A. Background:

1. Payment for Inpatient Services Furnished by a CAH and Standard Method - Cost-Based Facility Services, With Billing of Carrier for Professional Services

Under previous policy, payment was made for Low Osmolar Contrast Material (LOCM) furnished in connection with medically necessary imaging procedures for **intrathecal procedures and in intra-venous and intra-arterial injections** only if one or more of five medical conditions were present. These medical conditions include a history of previous adverse reactions to contrast media, a history of asthma or allergy, significant cardiac dysfunction, generalized debilitation, or sickle cell disease. LOCM was not paid for **intra-venous and intra-arterial injections** unless at least one of these procedures was present.

2. Clinical Diagnostic Laboratory Tests Furnished by CAHs

In a **Federal Register** document published on August 1, 2003, (48 FR 45471), CMS revised the Medicare regulations at 42 CFR 413.70 (b)(3) by adding a new paragraph (iii). As revised, the regulations provide that payment for outpatient clinical diagnostic laboratory tests will be made on a reasonable cost basis only if the individuals are outpatients of the CAH, and are physically present in the CAH at the time the specimens are collected. Clinical diagnostic laboratory tests for individuals who are not physically present in the CAH at the time the specimens are collected will be made in accordance with the Medicare laboratory fee schedule.

B. Policy:

1. Based on review of current medical practices regarding the use of contrast material, CMS has concluded that the presence of these medical conditions should no longer be a requirement for the payment for LOCM. Therefore, payment will be made for LOCM furnished as part of medically necessary imaging procedures, regardless of whether any of the medical conditions listed in previous instructions are present.
2. Since publication of the August 1, 2003 regulations cited above, some CAHs have asked whether reasonable cost payment will be made for clinical diagnostic laboratory tests performed on specimens from patients who are not physically present in the CAH when the specimens are collected, if collection occurs in "draw stations" or other similar locations within non-CAH providers such as rural health clinics or in other non-CAH settings, by representing those providers or locations as parts of the CAH. To prevent this practice and ensure that the requirements of the regulations are implemented, payment for

clinical diagnostic laboratory tests on such specimens will not be made on a reasonable cost basis. Individuals who have specimens collected in “draw stations” or other similar locations set up within non-CAH providers or facilities for collecting laboratory specimens are not considered to be physically present for specimen collection, and payment for the clinical diagnostic tests performed on these specimens are paid under the lab fee schedule.

C. Provider Education:

"A provider education article related to this instruction will be available at www.cms.hhs.gov/medlearn/matters shortly after the CR is released. You will receive notification of the article release via the established "medlearn 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 must be included in your next regularly scheduled bulletin."

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement
"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)							
		FI				FISS	MCS	VMS	CBF
3439.1	<p>The FI shall pay a CAH on a reasonable cost basis for Low Osmolar Contrast Material (LOCM) furnished as part of medically necessary imaging procedures, if the type of bill is 11X (for LOCM furnished during an inpatient stay covered under Part A), 12X (for LOCM furnished to an inpatient where payment is under Part B because the stay is not covered under Part A) or 85X (for LOCM furnished to an outpatient) and the bill includes revenue code 636 along with one of the following HCPCS codes as appropriate:</p> <p>A4644 Supply of low osmolar contrast material (100 – 199 mgs of iodine); A4645 Supply of low osmolar contrast material (200 – 299 mgs of iodine); or A4646 Supply of low osmolar contrast material (300 – 399 mgs of iodine).</p>	X				X			

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)							
		FI				FISS	MCS	VMS	CBF
3439.2	Contractors shall accept claims for Low Osmolar Contrast Material (LOCM) furnished as part of medically necessary imaging procedures when the type of bill is 11X (for LOCM furnished during an inpatient stay covered under Part A), 12X (for LOCM furnished to an inpatient where payment is under Part B because the stay is not covered under Part A) or 85X (for LOCM furnished to an outpatient). Prior edits for diagnostic codes shall be removed.	X				X			
3439.3	The FI shall pay a CAH under the laboratory fee schedule for clinical diagnostic laboratory tests performed on specimens from individuals which are collected in “draw stations” or other similar facilities for collecting laboratory specimens which are set up in non-CAH facilities or locations.	X				X			
3439.4	The FI shall instruct the CAH to hold LOCM line items on claims for services provided on or after January 1, 2005, until the April Release of FISS is in production.	X							
3439.4.1	The FI shall instruct the CAH to bill LOCM services provided on or after January 1, 2005, for Medicare payment beginning April 10, 2005.	X							
3439.4.2	The FI shall instruct the CAH to not bill the Medicare Beneficiary for LOCM services provided on or after January 1, 2005, through April 10, 2005.	X							
3439.4.3	The FI shall provide provider education for LOCM billing.	X							

III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. SCHEDULE, CONTACTS, AND FUNDING

Effective Date*: January 1, 2005 Implementation Date: April 4, 2005 Pre-Implementation Contact(s): George Morey at 410-786-4653 Post-Implementation Contact(s): Regional Offices	Medicare Contractors shall implement these instructions within their current operating budgets.
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30.1.1 - Payment for Inpatient Services Furnished by a CAH

(Rev. 379, Issued: 11-26-04, Effective: 01-01-05, Implementation: 04-04-05)

A3-3610.22, R1860A3, HO-415.22, HO-415.24

For cost reporting periods beginning after October 1, 1997, payment for inpatient services of a CAH is the reasonable cost of providing the services. Effective for cost reporting periods beginning after January 1, 2004, payment for inpatient services of a CAH is 101 percent of the reasonable cost of providing the services, as determined under applicable Medicare principles of reimbursement, except that following principles do not apply:

- The lesser of costs or charges (LCC) rule;
- Ceilings on hospital operating costs;
- The reasonable compensation equivalent (RCE) limits for physician services to hospitals; and
- The payment window provisions for preadmission services treated as inpatient services under §40.3.

Low Osmolar Contrast Material (LOCM) furnished as part of medically necessary imaging procedures for inpatients is paid for based on bill type 11X (for LOCM furnished during an inpatient stay covered under Part A), or 12X (for LOCM furnished to an inpatient where payment is under Part B because the stay is not covered under Part A). Bills must include revenue code 636 along with one of the following HCPCS codes as appropriate:

A4644 Supply of low osmolar contrast material (100 – 199 mgs of iodine);

A4645 Supply of low osmolar contrast material (200 – 299 mgs of iodine); or

A4646 Supply of low osmolar contrast material (300 – 399 mgs of iodine).

250.1 - Standard Method - Cost-Based Facility Services, With Billing of Carrier for Professional Services

(Rev. 379, Issued: 11-26-04, Effective: 01-01-05, Implementation: 04-04-05)

Effective for cost reporting periods beginning on or after January 1, 2004, payment for outpatient CAH services under this method will be made for the lesser of 1) 80 percent of 101 percent of the reasonable cost of the CAH in furnishing those services, or 2) 101 percent of the reasonable cost of the CAH in furnishing those services, less applicable Part B deductible and coinsurance amounts.

Payment for professional medical services furnished in a CAH to CAH outpatients is made by the carrier on a fee schedule, charge, or other fee basis, as would apply if the services had been furnished in a hospital outpatient department. For purposes of CAH payment, professional medical services are defined as services provided by a physician or other practitioner, e.g., a physician assistant that could be billed directly to a carrier under Part B of Medicare or a nurse practitioner that could be billed directly to a carrier under Part B of Medicare.

In general, payment for professional medical services, under the cost-based CAH payment plus professional services billed to the carrier method should be made on the same basis as would apply if the services had been furnished in the outpatient department of a hospital.

Bill type 85X is used for all outpatient services including services approved as ASC services. Referenced diagnostic services (*those not meeting the criteria for reasonable cost payment in §250.6*) will continue to be billed on a 14X type of bill. (See Section 260.6 – Clinical Diagnostic Laboratory Tests Furnished by CAHs).

Low Osmolar Contrast Material (LOCM) furnished as part of medically necessary imaging procedures for CAH outpatients is paid based on bill type 85X. Bills must include revenue code 636 along with one of the following HCPCS codes as appropriate:

- A4644 Supply of low osmolar contrast material (100 – 199 mgs of iodine);*
- A4645 Supply of low osmolar contrast material (200 – 299 mgs of iodine); or*
- A4646 Supply of low osmolar contrast material (300 – 399 mgs of iodine).*

250.6 - Clinical Diagnostic Laboratory Tests Furnished by CAHs

(Rev. 379, Issued: 11-26-04, Effective: 01-01-05, Implementation: 04-04-05)

A-01-31, A-01-68

Medicare beneficiaries are not liable for any coinsurance, deductible, copayment, or other cost sharing amount for clinical diagnostic laboratory services furnished as a CAH outpatient service.

Payment for clinical diagnostic laboratory tests furnished by a CAH is made on a reasonable cost basis only if the patient is an outpatient of the CAH and is physically present in the CAH at the time the specimen is collected - (Bill type 85x). A CAH cannot seek reasonable cost reimbursement for tests provided to individuals in locations such as rural health clinic, the individual's home or a skilled-nursing facility. Individuals in these locations are non-patients of a CAH and their lab test would be categorized as "referenced lab tests" for the non-patients (Bill type 14x), and **are** paid under the lab fee schedule. *Individuals who have specimens collected in "draw stations" or other similar locations set up within non-CAH providers or facilities to collect laboratory specimens are not considered to be physically present for specimen collection, and payment for the clinical diagnostic tests performed on these specimens are paid under the lab fee schedule.*