

Reimbursement Methodology

SERVICE CATEGORY	PAYMENT METHODOLOGY
Acute Care Hospital-Inpatient Services	PPS Reimbursement (DRGs). Includes capital, DSH, capital IME, and special payment adjustments to MDHs and SCHs when applicable. Operating IME and DME do not have to be paid by Medicare Advantage plans to acute care PPS hospitals since the Fiscal Intermediary will make these payments. Pass-through payments for capital, CRNAs, and costs associated with nursing and allied health education programs if applicable. Organ acquisitions reimbursed on a cost basis at an approved transplant facility.
Acute Care Hospital-Inpatient Outliers	Payment is 80% of the excess of the cost of an admission over the sum of the DRG payment (including IME and DSH) and a threshold amount. The threshold amount in 2005 is \$25,800.00.
Acute Care Hospital-Outpatient Services	HSS "Winstrat" APC Grouper/Pricer software. Winstrat contains an Outpatient National Medicare Provider Rate File (ONMMPRF) which provides Gold Open with the capability to Group/Price APC claims for ANY Medicare approved provider. This software calculates the outlier payments and pass-through payments.
Ambulance	Blended method between reasonable charge for ambulance supplier and national fee schedule. CY 2005 the blend is 80% of the national fee schedule and 20% of the reasonable charge.
Ambulatory Surgery Center	ASC fee schedule
Anesthesia/Physician Performed	According to Medicare's methodology: Medicare anesthesia conversion factor by locality x sum of uniform base units + time units
Anesthesia-Physician Medical Direction of 2 or more Nurse Anesthetists concurrently	According to Medicare's methodology: Medicare anesthesia conversion factor by locality x sum of uniform base units + time units 50% of the allowance for the service performed by the physician
Assistant surgeon (physician assistant)	85% x 16% of the amount paid to a physician who serves as an assistant at surgery.
Assistant surgeon (physician)	16% of the amount applicable for global surgery under the Medicare fee schedule.
Blood	Reimbursed under OPSS for hospital outpatient services
Braces	100% of the Medicare Durable Medical Equipment Prosthetic, Orthotic and Supplies Fee Schedule. Covered when furnished incident to physicians' services or on a physicians' order
Cancer Hospitals-Inpatient	Contact facility for their pricing information. If unable to obtain, pay claim at 50% of billed charges. If payment incorrect, facility can submit copy of Medicare RA showing correct pricing. We will adjust claim to reflect correct pricing.
Cancer Hospitals-Outpatient	HSS "Winstrat" APC Grouper/Pricer software. Winstrat contains an Outpatient National Medicare Provider Rate File (ONMMPRF) which provides Gold Open with the capability to Group/Price APC claims for ANY Medicare approved provider.

Certified Registered Nurse Anesthetist (CRNA)	According to Medicare's methodology: Medicare anesthesia conversion factor by locality x sum of uniform base units + time units Payment is made on an assignment basis only. The above allowance is divided equally between the anesthesiologist and the anesthetist (50% each)
Children's Hospitals-Inpatient	Contact facility for their pricing information. If unable to obtain, pay claim at 50% of billed charges. If payment incorrect, facility can submit copy of Medicare RA showing correct pricing. We will adjust claim to reflect correct pricing.
Children's Hospitals-Outpatient	HSS "Winstrat" APC Grouper/Pricer software. Winstrat contains an Outpatient National Medicare Provider Rate File (ONMPRF) which provides Gold Open with the capability to Group/Price APC claims for ANY Medicare approved provider.
Clinical Nurse Specialist	85% MFS
Clinical Psychologist	100% MFS-psychologists will receive payment for administering diagnostic psychological tests and supervising the administration of these tests
Clinical Social Worker	75% MFS
Clinical Trial Services	Medicare directly reimburses all approved clinical trial services provided to an M+C enrollee according to the appropriate fee for service methodology
Community Mental Health Centers	HSS "Winstrat" APC Grouper/Pricer software. Winstrat contains an Outpatient National Medicare Provider Rate File (ONMPRF) which provides Gold Open with the capability to Group/Price APC claims for ANY Medicare approved provider.
CORF	Reimbursement based on the Medicare physician fee schedule. Vaccines reimbursed 95% AWP.
Co-Surgeons	The fee schedule amount applicable to the payment for each co-surgeon is 62.5% of the global surgery under the Medicare fee schedule
Critical Access Hospitals	Paid at 101% of reasonable cost basis. Facility will be contacted for copy of their most recent interim rate letter from their Medicare fiscal intermediary.
Diabetic Shoes	100% Prosthetic/Orthotic fee schedule
Drugs	Drugs not paid on a cost or prospective payment basis will be paid under the new ASP (average sale price) drug payment system.
Durable Medical Equipment	100% of the Medicare Durable Medical Equipment Prosthetic, Orthotic, and Supplies Fee Schedule
Epoetin (EPO)	Drugs not paid on a cost or prospective payment basis will be paid under the new ASP (average sale price) drug payment system.
ESRD Facility	ESRD facilities are paid, for routine services, a composite rate. Composite rates are geographically adjusted. They also vary depending on whether a facility is hospital based or independent. Non-routine services are paid based on fee schedule.
Federally Qualified Health Centers	Paid 80% of the lower of the all inclusive rate or the upper limit; plus 20% of the FQHC's actual charge. 2006 FQHC limit: \$112.96 2006 Rural FQHC limit: \$97.13

Hemophilia clotting factors billed by provider (e.g. Hosp, SNF, HHA)	Add on payment for beneficiaries in an inpatient setting. Outpatient setting paid on a cost basis.
Hemophilia clotting factors billed by supplier (e.g. DME, supplier, indep pharmacy, Red Cross)	Drugs not paid on a cost or prospective payment basis will be paid under the new ASP (average sale price) drug payment system.
Home Dialysis Supplies & Equipment	Method I or II per Medicare
Home Health	PPS (HHRGs) Providers reimbursed per 60 day episode via RAP and claim submission. Includes adjustments for LUPA, SCIC, PEP, therapies and outliers. Limited services reimbursed under OPSS. DME reimbursed at 100% DMEPOS fee schedule. Note: Effective 4/1/04 rural agencies will be paid a 5% add-on payment.
Home Infusion	Reimbursement per Medicare Durable Medical Equipment Prosthetic, Orthotic and Supplies Fee schedule for applicable services.
Hospital Transfer Acute to Acute	The first hospital is paid a per diem rate equal to the DRG amount divided by the average length of stay for that DRG. A maximum of the full DRG is paid to the first hospital. The second hospital is paid the full DRG.
Hospital Transfer Acute to Postacute	Expanded Transfer Definition: A qualified discharge from one of the 29 DRGs to a postacute care provider will be treated as a transfer case and reimbursed the per diem methodology stated above, with the following exception. DRGs 209,210 and 211 are paid under a methodology where 50% of the DRG plus the per diem is paid on the first day of the stay. For each subsequent day, 50% of the per diem is paid up to the full DRG amount
HPSA (Health Prof Shortage Area)	100% of the MFS + 10% bonus
Immunosuppressive Drugs, transplant	Paid under OPSS if beneficiary is in the outpatient dept of a Medicare participating hospital. In all other settings, 85% average wholesale price.
Indian Health Service Facility (HIS)-inpatient services	HSS "Winstrat" DRG Grouper/Pricer software. Winstrat contains a National Medicare Provider Rate File (NMPRF) which provides Gold Open with the capability to Group/Price DRG claims for ANY Medicare approved provider.
Indian Health Service Facility (HIS)-outpatient services	All-inclusive rate. Excluded from OPSS. Fee schedule for outpatient professional services.
Injections	Physicians can also be paid for injections and vaccinations even when performed on the same day as other Medicare covered services.
Laboratory	100% of Medicare laboratory fee schedule
Long Term Care Hospitals	LTCH PPS (DRGs) effective for cost reporting periods beginning on or after 10/01/02. Payment subject to a five year blend in 20% increments unless LTCH elects to be paid based on 100% Federal PPS rate. Short stay and high cost outliers apply.
Low Volume Hospitals	This is a new payment under MPDMA. If a hospital has under 800 discharges per year, and is more than 25 miles from the closest acute care hospital, CMS makes an additional payment not to exceed 25%. This new payment is to be effective on 10/1/04.
Mammography Screening	100% MFS

Maryland Hospitals	HSCRC mandated rate thresholds. Reimbursed 94% of approved charges for IP and OP services.
Medical Nutrition Therapy	85% of the Medicare fee schedule.
Nurse Practitioner	85% MFS
Oral Anti-Cancer Drugs	Drugs not paid on a cost or prospective payment basis will be paid under the new ASP (average sale price) drug payment system.
Oral Anti-Nausea	Drugs not paid on a cost or prospective payment basis will be paid under the new ASP (average sale price) drug payment system.
Parenteral and Enteral Nutrition	PEN fee schedule
Physical, Occupational, Speech Therapist	100% MFS
Physician Assistant	85% MFS
Physician Scarcity Area (PSA)	100% MFS + 5% bonus
Physician Services (Audiologist)	100% of the Medicare physician fee schedule. 10% HPSA payment where appropriate. 5% PSA payment where appropriate.
Physician Services (Chiropractor)	100% of the Medicare physician fee schedule. 10% HPSA payment where appropriate.
Physician Services (Dentist)	100% of the Medicare physician fee schedule. 10% HPSA payment where appropriate.
Physician Services (DO)	100% of the Medicare physician fee schedule. 10% HPSA payment where appropriate. 5% PSA payment where appropriate.
Physician Services (MD)	100% Medicare Fee Schedule. 10% HPSA payment where appropriate. 5% PSA payment where appropriate
Physician Services (Optometrist)	100% of the Medicare physician fee schedule. 10% HPSA payment where appropriate.
Physician Services (Oral and Maxillofacial Surgeon)	100% of the Medicare physician fee schedule. 10% HPSA payment where appropriate. 5% PSA payment where appropriate.
Physician Services (Podiatrist)	100% of the Medicare physician fee schedule. 10% HPSA payment where appropriate.
Prosthetic Devices	100% of the Medicare Durable Medical Equipment Prosthetic, Orthotic and Supplies Fee Schedule.
Psychiatric Hospitals-Inpatient	For hospital fiscal years beginning after 1/1/05, the payments will be a blend of 75% of the old TEFRA payment and 25% of the new PPS payment. The first PPS payment period for all hospitals will extend to 6/30/06, after which all PPS updates will be for the 12 month periods beginning 7/1. The second payment period uses a blend of 50% TEFRA / 50% PPS, and the third and last transition year uses 25% TEFRA / 75% PPS. There is a "stop/loss" adjustment which sets the PPS payment to no less than 70% of the TEFRA amount for this 3 year transition period. The new PPS system uses a federal per diem base amount of \$575.95 which is then adjusted for one of 15 DRG's, comorbidities, age, rural add-on, teaching add-on, outlier payments, wage index, the presence of an emergency department, and ECT treatment. There is also an extra payment which tapers down during the first 21 days of an admission.

Psychiatric Hospitals-Outpatient	HSS "Winstrat" APC Grouper/Pricer software. Winstrat contains an Outpatient National Medicare Provider Rate File (ONMPRF) which provides Gold Open with the capability to Group/Price APC claims for ANY Medicare approved provider.
Registered Dietician	85% MFS
Rehab Hospital-Inpatient Services	Utilize pricer via CMS website
Rehab Hospital-Outpatient Services	HSS "Winstrat" APC Grouper/Pricer software. Winstrat contains an Outpatient National Medicare Provider Rate File (ONMPRF) which provides Gold Open with the capability to Group/Price APC claims for ANY Medicare approved provider.
Religious Non-Medical Health Care Institutions	Contact facility for their pricing information. If unable to obtain, pay claim at 50% of billed charges. If payment incorrect, facility can submit copy of Medicare RA showing correct pricing. We will adjust claim to reflect correct pricing.
Rural Health Clinics	Paid 80% of the lower of the provider specific rate or the per visit payment limit; plus 20% of the RHC's actual charges. 2006 per visit limit: \$72.76 Note: Per visit limits do not apply to RHCs owned by rural hospitals with less than 50 beds and are paid on a cost basis.
Skilled Nursing Facilities	PPS reimbursement (RUGS)
Sole Community Hospital	Paid the greater of PPS or the hospital specific rate for a full year. PRICER calculates the greater of the 2.
Surgical Dressings	The Medicare DMEPOS fee schedule applies to all surgical dressings except those applied incident to a physician's professional services, those furnished by an HHA and those applied while a patient is being treated in an outpatient hospital department or as an acute care inpatient. Hospital outpatient reimbursed under PPS (APCs) HHA's- payment is bundled into PPS (HHRGs). If a physician, certified nurse midwife, physician assistant, nurse practitioner, or clinical nurse specialist applies surgical dressings as part of a professional service that is billed to Medicare, the surgical dressings are considered incident to the professional services of the health care practitioner.
Swing Beds	SNF PPS (RUGS) CAH swing beds are exempt from SNF PPS and are paid on a reasonable cost basis.
TOPS (Transitional outpatient payments)	Tops payments are made to hospitals paid less under PPS than under the old cost system. Rural hospitals with 100 beds or less that are not sole community hospitals (SCH's) will continue to receive payments until 12/31/08
Transfers between Acute Care Hospitals	The first hospital is paid a per diem rate equal to the DRG amount divided by the average length of stay for that DRG. A maximum of the full DRG is paid to the first hospital. The second hospital is paid the full DRG.

VA Hospitals	Federal providers are excluded from participation in the Medicare program. However, Federal Hospitals, like other non participating hospitals may be paid for emergency inpatient and outpatient hospital services. Hospital filed claims: Inpatient: Lower of actual charges or rates published for Federal Hospitals in the Federal Register under OFFICE OF MANAGEMENT & BUDGET-Cost of Hospital & Medical Care & Treatment. Outpatient: 85% of the total covered charges.
X-Ray	100% of the Medicare physician fee schedule