



**American Hospital
Association**

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September 24, 2004

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Administrator
Centers for Medicare & Medicaid Services
200 Independence Avenue, S.W.
Room 445-G
Washington, DC 20201

Ref: CMS-1429-P – Medicare Program; Revisions to Payment Policies under the Physician Fee Schedule for Calendar Year 2005; Proposed Rule (69 *Federal Register* 47488), August 5, 2004.

Dear Dr. McClellan:

The American Hospital Association (AHA), on behalf of our 4,700 member hospitals and health care systems, and our 31,000 individual members, appreciates the opportunity to comment on the Medicare physician fee schedule for the calendar year (CY) 2005. Our comments focus on an important new payment policy that should apply to certain critical access hospitals (CAHs) to help improve beneficiary access to care in physician shortage areas.

Section 413. Physician Scarcity Area (PSA) and Health Professional Shortage Area (HPSA) Incentive Payments

For outpatient services, CAHs may elect to be paid under an optional method, frequently referred to as “Method II,” that allows the hospital to receive payment equal to 101 percent of cost for facility services, plus 115 percent of the physician fee schedule for professional services rendered. Section 413 (a) of the Medicare Prescription Drug, Improvement and Modernization Act (MMA) provides an additional 5 percent bonus on professional services in either primary care or specialty care in PSAs. This bonus will improve the incentive for physicians to serve Medicare beneficiaries in areas with a shortage of physicians, and make it easier to recruit and retain physicians in these areas.

CAHs that have elected Method II billing should be eligible for these bonuses, just as they are already eligible for HPSA bonuses. Thus, the maximum a CAH could receive for a specific service would be the 101 percent base rate for CAHs, plus 115 percent of the physician fee schedule amount for professional services under Method II, plus 10 percent for the HPSA



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bonus, plus 5 percent for the PSA bonus. CMS' systems, however, had trouble implementing the HPSA bonuses under Method II, and some providers have waited more than two years for the increased Medicare payments.

We are concerned that the Medicare fiscal intermediary (FI) systems will be unable to process the requests for the enhanced PSA bonuses. **We encourage CMS to work diligently to ensure that their systems, and that of their intermediaries and carriers (if necessary), are ready to process enhanced payments beginning next January 1 to ensure a smooth implementation of this provision.**

The AHA appreciates the opportunity to submit these comments. If you have any questions, please contact me or Roslyne Schulman, senior associate director for policy, at (202) 626-2273.

Sincerely,

Rick Pollack
Executive Vice President