



American Hospital  
Association

# SPECIAL BULLETIN

Tuesday, March 12, 2013

## **CMS RELEASES GUIDANCE ON EXTENSION OF LOW-VOLUME ADJUSTMENT AND MEDICARE-DEPENDENT HOSPITAL PROGRAM**

The Centers for Medicare & Medicaid Services (CMS) has released instructions ([www.ofr.gov/OFRUpload/OFRData/2013-05263\\_PI.pdf](http://www.ofr.gov/OFRUpload/OFRData/2013-05263_PI.pdf)) on how hospitals will receive payments under the low-volume adjustment and Medicare-dependent Hospital (MDH) program in fiscal year (FY) 2013. The *American Taxpayer Relief Act of 2012* (ATRA) retroactively extended these programs from Oct. 1, 2012, through Sept. 30, 2013.

**Low-volume Adjustment.** The *Patient Protection and Affordable Care Act of 2010* provided for an enhanced low-volume adjustment for FYs 2011 and 2012. In January, the ATRA extended this enhanced low-volume adjustment through Sept 30, 2013, retroactive to Oct. 1, 2012. To qualify, hospitals must have fewer than 1,600 Medicare discharges and be located 15 miles or more from the nearest prospective payment system hospital.

CMS will determine whether hospitals meet the discharge criterion for FY 2013 using FY 2011 Medicare discharge data from the March 2012 update of the Medicare Provider Analysis and Review files. **However, hospitals must notify and provide documentation to their fiscal intermediary (FI) or Medicare Administrative Contractor (MAC) that they meet the mileage criterion. In order for the low-volume adjustment to be applied retroactively to discharges on or after Oct. 1, 2012, hospitals must provide this documentation no later than March 22, 2013.** If a hospital does not meet this deadline, it will only receive the low-volume adjustment prospectively, effective within 30 days of the date of the FI or MAC's low-volume status determination.

The FIs and MACs will automatically reprocess claims by June 30, 2013, to retroactively reimburse hospitals for the low-volume adjustment.

**Medicare-dependent Hospital Program.** The MDH program provides enhanced payment to support small rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges. In January, the ATRA extended this program through Sept. 30, 2013, retroactive to Oct. 1, 2012.

Generally, providers that were classified as MDHs on Sept. 30, 2012, will have their MDH status reinstated effective Oct. 1, 2012, with no need to reapply for the program. For these hospitals, the FIs and MACs will automatically reprocess claims by June 30, 2013, to retroactively reimburse hospitals for their MDH payments.

However, two types of hospitals will not have their MDH status automatically reinstated: MDHs that obtained classification as Sole Community Hospitals on or after Oct. 1, 2012, and MDHs that requested a cancellation of their rural classification. Instead, these hospitals will have to reapply for MDH classification in accordance with the regulations; if they are granted such status, it will be effective 30 days after their contractor's written notification of its determination.

Please contact Joanna Kim, vice president, payment policy, at 202-626-2340 if you need further information.