



Related MLN Matters Article #: MM5493

Date Posted: February 6, 2007

Related CR #: 5493

Outpatient Clinical Laboratory Tests Furnished by Hospitals With Fewer Than 50 Beds in Qualified Rural Areas

Key Words

MM5493, CR5493, R1180CP, Laboratory, Hospital, Rural

Provider Types Affected

Hospitals with fewer than 50 beds in qualified rural areas submitting claims to Medicare fiscal intermediaries (FIs) or Part A/B Medicare Administrative Contractors (A/B MACs) for outpatient clinical laboratory tests provided to Medicare beneficiaries

Key Points

- The effective date of the instruction is January 1, 2007.
- The implementation date is July 2, 2007.
- The Balanced Budget Refinement Act of 1999 provided payment (on a reasonable cost basis) for outpatient clinical laboratory tests to Critical Access Hospitals (CAHs).
- A provision in Section 416 of the Medicare Modernization Act (MMA) of 2003 provided for payment on a reasonable cost basis for outpatient clinical laboratory tests:
 - To hospitals with fewer than 50 beds in qualified rural areas, and
 - For cost reporting periods beginning during the **2-year period** beginning on July 1, 2004.
- This provision was implemented by Change Request (CR) 3130, which may be found at <http://www.cms.hhs.gov/transmittals/Downloads/R100CP.pdf> on the CMS website, and the corresponding MLN Matters article can be found at <http://www.cms.hhs.gov/mlnMattersArticles/downloads/MM3130.pdf> on the CMS website.
- The provision in Section 416 of the MMA was recently extended by Section 105 of the Tax Relief and Health Care Act of 2006 for an **additional year** for cost reporting periods beginning during the 3-year period beginning on July 1, 2004.

- Therefore, CR5493 instructs that payment will be made on a reasonable cost basis for outpatient clinical laboratory tests:
 - To hospitals with fewer than 50 beds in qualified rural areas, and
 - For cost reporting periods beginning during the **3-year period** beginning on July 1, 2004 (i.e., beginning on or after July 1, 2004, but before July 1, 2007).
- CR5493 also instructs the provider's FI or A/B MAC to adjust any affected laboratory claims (those containing lines with revenue code 030X) from hospitals meeting the requirements for reasonable cost payment for such services during this additional year.

Note: Medicare outpatient covered clinical laboratory services are generally paid based on a fee schedule, and Medicare beneficiaries are not liable for coinsurance, deductibles or other cost sharing amounts for these services.

- Reasonable costs (for cost reporting periods beginning on or after July 1, 2004, but before July 1, 2007) are determined by: 1) using the ratio of costs to charges for the laboratory cost center and 2) multiplied by the Provider Statistical and Reimbursement's Report (PS&R's) billed charges for outpatient laboratory services.
- The same rules used to determine whether clinical laboratory services are furnished as an outpatient CAH service apply for outpatient clinical laboratory tests to hospitals with fewer than 50 beds in qualified rural areas (i.e., one with a population density in the lowest quartile of all rural county populations).
- Condition of participation for hospitals [42 CFR 485.620\(a\)](#) and State Operations Manual (Appendix W, Section 485.620(a); http://cms.hhs.gov/manuals/Downloads/som107ap_w_cah.pdf) establish the rules for the bed count for CAHs.

Important Links

The related MLN Matters article can be found at

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM5493.pdf> on the CMS website.

The official instruction (CR5493) regarding this change may be viewed at

<http://www.cms.hhs.gov/Transmittals/downloads/R1180CP.pdf> on the CMS website.