

Insights to Coding and Data Quality

Medicare program Part B billing in hospitals – Update

by Nancy J. Cervi, RHIT

On March 13, 2013, Centers for Medicare & Medicaid Services (CMS) Acting Administrator Marilyn Tavenner issued an Administrator's Ruling [**CMS-1455-R**] to address the significant number of pending appeals of Part A hospital inpatient reasonable and necessary denials. Under the Administrator's Ruling, Medicare will pay for all Part B inpatient services that would have been reasonable and necessary if the beneficiary had been treated as an outpatient, rather than admitted as an inpatient. Concurrent with the ruling, CMS released a proposed rule on **Medicare Program; Part B inpatient billing in hospitals** that would apply on a prospective basis once finalized.

In accordance with this ruling, when a Part A inpatient claim for a hospital inpatient admission is denied by a Medicare review contractor because the inpatient admission was not reasonable and necessary, the hospital may submit a Part B inpatient claim for payment for the Part B services that would have been payable to the hospital had the beneficiary originally been treated as an outpatient rather than admitted as an inpatient. Exceptions to this are when those services specifically require an outpatient status, for example, outpatient visits, emergency department visits, and observation services.

In addition, under this ruling, in cases for which no Part A payment is made because the Part A inpatient claim is denied on the basis that the inpatient admission was not reasonable and necessary, hospitals may bill separately for the outpatient services furnished during the 3-day (or 1-day for non- Inpatient Prospective Payment System (PPS) hospitals) payment window prior to the inpatient admission as the outpatient services that they were, including observation and other services that were furnished in accordance with Medicare's requirements.

In order to prevent duplicate billing and payment, a hospital may not have simultaneous requests for payment under both Parts A and B for the same services provided to a single beneficiary on the same dates of service. If a hospital chooses to submit a Part B claim for payment following the denial of a Part A inpatient admission, the hospital cannot also maintain its request for payment for the same services on the Part A claim.

The ruling also clarifies that hospitals are solely responsible both for submitting claims for items and services furnished to beneficiaries and determining whether submission of a Part A or Part B claim is appropriate. Once a hospital submits a claim, the Medicare contractor can make an initial determination and determine any payable amount.

For the Part B claims billed under this ruling, the beneficiary's patient status remains inpatient as of the time of inpatient admission and is not changed to outpatient, because the beneficiary was formally admitted as an inpatient; and, there is no provision to change a beneficiary's status after s/he is discharged from the hospital. The beneficiary is considered an outpatient for services billed on the Part B outpatient claim, and is considered an inpatient for services billed on the Part B inpatient claim.

In addition to the time limits for filing claims, providers should keep this ruling in mind when reviewing Medicare Review Contractor denials to make strategic decisions between 1) pursuing

Part A payments by arguing that inpatient admission was reasonable and necessary versus 2) dropping the appeal and re-billing the claim as Part B inpatient.

For more information on the CMS ruling and the proposed rule, follow the links below. Public comments on the proposed rule must be received by **May 17, 2013**. Comments can be submitted via: 1) **Electronically** to <<http://www.regulations.gov>>. Follow the “Submit a comment” instructions, or 2) Mail written comments to the following address ONLY: Centers for Medicare & Medicaid Services, Department of Health and Human Services, Attention: CMS-1455-P, P.O. Box 8013, Baltimore MD 21244-8013.

Resources

<<http://www.cms.gov/Regulations-and-Guidance/Guidance/Rulings/Downloads/CMS1455R.pdf>>

<<https://www.federalregister.gov/articles/2013/03/18/2013-06163/medicare-program-part-b-inpatient-billing-in-hospitals>>

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