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| <b>CMS Manual System</b>                     | <b>Department of Health &amp; Human Services (DHHS)</b>   |
| <b>Pub 100-04 Medicare Claims Processing</b> | <b>Centers for Medicare &amp; Medicaid Services (CMS)</b> |
| <b>Transmittal 1701</b>                      | <b>Date: March 13, 2009</b>                               |
|  | <b>Change Request 6418</b>                                |

**SUBJECT: Revision of the Hospice Wage Index and the Hospice Pricer for FY 2009**

**I. SUMMARY OF CHANGES:** This change request revises the FY 2009 hospice wage index and FY 2009 hospice pricer to include a full budget neutrality adjustment factor (BNAF), rather than a 25 percent reduced BNAF. This change was mandated by the American Recovery and Reinvestment Act, which was signed into law on February 17, 2009.

This Recurring Update Notification applies to Chapter 11, section 30.2 of the Internet Only Manual.

**New / Revised Material**

**Effective Date: October 1, 2008**

**Implementation Date: April 3, 2009**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

|       |  |
|-------|--|
| R/N/D | Chapter / Section / Subsection / Title |
| N/A   |  |

**III. FUNDING:**

**SECTION A: For Fiscal Intermediaries and Carriers:**

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

**SECTION B: For Medicare Administrative Contractors (MACs):**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**IV. ATTACHMENTS:**

**Recurring Update Notification**

*\*Unless otherwise specified, the effective date is the date of service.*

# Attachment – Recurring Update Notification

|                    |                          |                             |                             |
|--------------------|--------------------------|-----------------------------|-----------------------------|
| <b>Pub. 100-04</b> | <b>Transmittal: 1701</b> | <b>Date: March 13, 2009</b> | <b>Change Request: 6418</b> |
|--------------------|--------------------------|-----------------------------|-----------------------------|

**SUBJECT: Revision of the Hospice Wage Index and the Hospice Pricer for FY 2009**

**Effective Date:** October 1, 2008

**Implementation Date:** April 3, 2009

## I. GENERAL INFORMATION

**A. Background:** The **Hospice Wage Index** is used to adjust payment rates to reflect local differences in wages. The Hospice Wage Index has been updated annually in accordance with recommendations made by a negotiated rulemaking advisory committee as published in the **Federal Register** on August 8, 1997. In FY 2009 the budget neutrality adjustment factor (BNAF), which has been applied to the hospice wage index since 1998, was reduced by 25 percent for the first year of a 3-year phase-out of the BNAF, as published in the **Federal Register** on August 8, 2008. 42 CFR §418.306(c) requires that the updated hospice wage index be published annually in the **Federal Register**. The FY 2009 Wage Index with a 25 percent reduction in the BNAF was implemented through CR 6155, published on August 1, 2008.

**B. Policy:** Public Law 111-005, the American Recovery and Reinvestment Act of 2009, delays the phase out of the BNAF during FY 2009. Notwithstanding any other provision of law, including the final rule published on August 8, 2008, Subtitle C, Section 4301 requires that the Secretary of Health and Human Services shall not phase out or eliminate the budget neutrality adjustment factor in the Medicare hospice wage index before October 1, 2009. The law requires the Secretary to recompute and apply the final Medicare hospice wage index for fiscal year 2009 as if there had been no reduction in the BNAF. Accordingly, a revised hospice wage index, which includes no reduction to the BNAF, will be implemented through the Hospice Pricer software found in the intermediary standard systems. The new pricer module will not contain any new calculation logic, but will simply apply the existing calculation to the FY 2009 payment rates, using the revised hospice wage index. An updated table will be installed in the module, to reflect the FY 2009 hospice wage index. Claims already processed using the version of the FY 2009 wage index which was put forward in the August 8, 2008, **Federal Register** and in CR 6155, which included a 25 percent reduced BNAF, will be recomputed to apply the full BNAF. Medicare contractors are instructed to install the revised hospice Pricer within 3 weeks from date of receipt and adjust the claims already processed within 6 months of installation.

The hospice payment rates and the hospice cap amount are not affected by this CR, and have not changed from those published in Transmittal 1570, CR 6155, dated August 1, 2008.

## II. BUSINESS REQUIREMENTS TABLE

*“Shall” denotes a mandatory requirement*

| Number | Requirement | Responsibility (place an ‘X’ in each applicable column) |   |   |   |   |                              |       |
|--------|-------------|---|---|---|---|---|------------------------------|-------|
|        |             | A   | D | F | C | R | Shared-System<br>Maintainers | Other |
|        |             | /   | M | I | A | H |                              |       |
|        |             | B   | E |   | R | H |                              |       |

|        |   |   |  |  |  |   | F<br>I<br>S<br>S | M<br>C<br>S | V<br>M<br>S | C<br>W<br>F |        |
|--------|---|---|--|--|--|---|------------------|-------------|-------------|-------------|--------|
| 6418.1 | Medicare systems shall install the revised Hospice Pricer software within 3 weeks from date of receipt.   | X |  |  |  | X | X                |             |             |             | Pricer |
| 6418.2 | Medicare systems shall use a revised table of wage index values associated with CBSA codes for FY 2009 hospice payment calculations.  |   |  |  |  |   | X                |             |             |             | Pricer |
| 6418.3 | Medicare contractors shall adjust hospice bill types 81x and 82x that were previously processed with the initial 2009 Hospice Pricer within 6 months of installing the revised 2009 Hospice Pricer. | X |  |  |  | X |                  |             |             |             |        |

### III. PROVIDER EDUCATION TABLE

| Number | Requirement  | Responsibility (place an "X" in each applicable column) |             |        |                            |             |                           |             |             |             |       |
|--------|--|---|-------------|--------|----------------------------|-------------|---------------------------|-------------|-------------|-------------|-------|
|        |  | A<br>/<br>B   | D<br>M<br>E | F<br>I | C<br>A<br>R<br>I<br>E<br>R | R<br>H<br>I | Shared-System Maintainers |             |             |             | Other |
|        |  | M<br>A<br>C   | M<br>A<br>C |        |                            |             | F<br>I<br>S<br>S          | M<br>C<br>S | V<br>M<br>S | C<br>W<br>F |       |
| 6418.4 | <p>A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLNMattersArticles/">http://www.cms.hhs.gov/MLNMattersArticles/</a> shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.</p> <p>Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.</p> | X   |             |        |                            | X           |                           |             |             |             |       |

### IV. SUPPORTING INFORMATION

**Section A: Any recommendations and supporting information associated with listed requirements: N/A**  
*"Should" denotes a recommendation.*

| X-Ref Requirement Number | Recommendations or other supporting information: |
|--------------------------|--|
|                          |  |

| X-Ref Requirement Number | Recommendations or other supporting information: |
|--------------------------|--|
|                          |  |

**Section B: All other recommendations and supporting information: N/A**

## V. CONTACTS

### Pre-Implementation Contact(s):

Policy: Randy Thronset or Katie Lucas

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Claims Processing: Wendy Tucker

Email address: [Wendy.Tucker@cms.hhs.gov](mailto:Wendy.Tucker@cms.hhs.gov)

### Post-Implementation Contact(s):

Appropriate Regional Office

## VI. FUNDING

### Section A: For *Fiscal Intermediaries (FIs), Carriers, and Regional Home Health Intermediaries (RHHIs)*:

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

### Section B: For *Medicare Administrative Contractors (MACs)*:

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.