

## **Ambulance Industry Receives Financial Relief Through the MMA**

On June 25, 2004, the Centers for Medicare and Medicaid Services (CMS) issued Transmittal 220 to Medicare Contractors outlining changes to the reimbursement methodology for certain ambulance transports as the result of the *Medicare Prescription Drug, Improvement and Modernization Act* (MMA). The provisions of the MMA affecting ambulance services applies to services rendered on or after July 1, 2004 and affect ground transportation only.

ZDS would like to take this opportunity to provide an overview of the pertinent facts from the MMA along with guidance on how to update your RescueNet Billing application based on this information. This document examines the four points of the MMA:

- 1) Blending of the National and Regional Fee Schedules on Base Rates.
- 2) Bonus mileage percentage for both urban and rural transports after 50 miles.
- 3) Base rate increase for transports originating in the lowest quartile of rural areas.
- 4) One and two percent increases to the Fee Schedule portion of the base rate and mileage for all urban and rural services respectively.

The table below provides a summary of the impacts of the MMA. Note: All increases are cumulative.

<b>Service</b>	<b>Effective Dates</b>	<b>Payment Increase</b>
All Rural Miles	7/1/04 – 12/31/06	2%
Rural miles 51+	7/1/04 – 12/31/08	25%
All urban miles	7/1/04 – 12/31/06	1%
Urban miles 51+	7/1/04 – 12/31/08	25%
All rural base rates	7/1/04 – 12/31/06	2%
Super Rural Base Rates	7/1/04 – 12/31/09	22.6%
All urban base rates	7/1/04 – 12/31/06	1%
All base rates (regional fee schedule blend)	7/1/04 – 12/31/09	The greater of the national fee schedule or its blend with the regional fee schedule.

After reading this white paper, if you have any questions regarding your new allowable amounts, please contact your carrier. ZDS does not have access to that information.

### **1. Blending of the National and Regional Fee Schedules on Base Rates**

As you know, the phase-in of the ambulance fee schedule is based on calculations that combine a percentage of the national fee schedule rates plus a percentage of the reasonable charge/cost methodology. In 2004, the formula was 60% of the national fee schedule rates plus 40% of the reasonable charge/cost methodology.

While that formula still holds true, determining the fee schedule portion for base rates has changed in certain regions. The table below identifies nine regions of the country (census divisions), the states in those regions and a regional factor percentage increase. Each division has a regional fee schedule that is constructed using the same methodology as the national fee schedule but utilizes the respective increase.

<b>Regions (Census division)</b>	<b>States</b>	<b>Regional factor percentage increases</b>
New England	CT, ME, MA, NH, RI, VT	23.3%
Mid-Atlantic	NJ, NY, PA	4.7%
East North Central	IN, IL, MI, OH, WI	0.0%
West North Central	IA, KS, MN, MO, NE, ND, SD	0.0%
South Atlantic	DE, DC, FL, GA, MD, NC, SC, VA, WV	0.0%
East South Central	AL, KY, MS, TN	0.0%
West South Central	AR, LA, OK, TX	10.2%
Mountain	AZ, CO, ID, NM, MT, UT, NV, WY	9.9%
Pacific	AK, CA, HI, OR, WA	38.6%

If you are in an area that provides for a regional increase, you will have to perform an additional calculation *before* you can make the normal fee schedule calculations. If you are in an area that does **not** provide for a regional increase, then this aspect of the MMA does not affect you.

From July 1, 2003 through CY 2010, in areas where the regional fee schedule is *greater* than the national fee schedule, the base rates for ground ambulance transports will be determined by a blend of the national rate and the regional rate as shown in the table below.

<b>Year</b>	<b>National FS Percentage</b>	<b>Regional FS Percentage</b>
7/1/04 – 12/31/04	20%	80%
CY 2005	40%	60%
CY 2006	60%	40%
CY 2007 – CY 2009	80%	20%
CY 2010 and thereafter	100%	0%

**Example:**

For simplicity, assume the National Ambulance Fee Schedule allows \$100.00 for a non-emergent BLS transport. Using the Regional Factor Percentage, the allowable in the Mountain region would be \$109.90 (\$100.00 X 9.9%).

To calculate the fee schedule portion of the phase in amount for 7/1/04-12/31/04, a Mountain provider would add 80% of the regional fee schedule amount to 20% of the national fee schedule. Here's the calculation:

$$(\$109.90 \times 80\%) + (\$100.00 \times 20\%) = \$87.92 + \$20 = \$107.92$$

This total (\$107.92) would serve as the “fee schedule” portion for the purposes of calculating your ultimate allowable under the present fee schedule methodology.

### What changes, if any, do I need to make to my software?

Once you have determined your new allowable base rate amounts, you may need to change some Administration settings in RescueNet Billing. If you are utilizing the automatic contractual allowance functionality of RescueNet Billing, you will need to supply these new allowable amounts to ensure that your contractual allowance credits post correctly to the trip.

In RescueNet Administration, automatic contractual allowances are set up as Payor-Specific Overrides to charges. (Open Administration, go to Billing, then Charges, edit a charge then edit the Payor-Specific Override.) Since your previous allowables are valid for dates of service prior to July 1, 2004, you should not delete existing overrides or edit the amount.

It is important, however, that you add an “until” date to your current override amount before creating a new parameter with a different override amount. RescueNet Billing will default the new override amount to begin the day after the “until” date of the existing override. (For example, see the following screen image but bear in mind that the dollar amounts shown are fictitious.)

The screenshot shows the 'Edit Charge' window with a sub-window titled 'Edit Payor for Charge'. The sub-window contains a table of override parameters:

Expected Amount	HCPCS	Plan	Unit	Until
\$127.13	(Default)			05/30/2004
\$133.07	(Default)			07/01/2004

Annotations on the screenshot include:

- A red arrow pointing to the '05/30/2004' date with the word 'Revise' written next to it.
- A red arrow pointing to the '07/01/2004' date with the text 'Create additional parameter' written below it.

Below the table, there is a text box: 'In the event that the expected amount is less than the gross amount, use this contractual allowance.' followed by a dropdown menu currently set to 'Medicare Contractual Allow'.

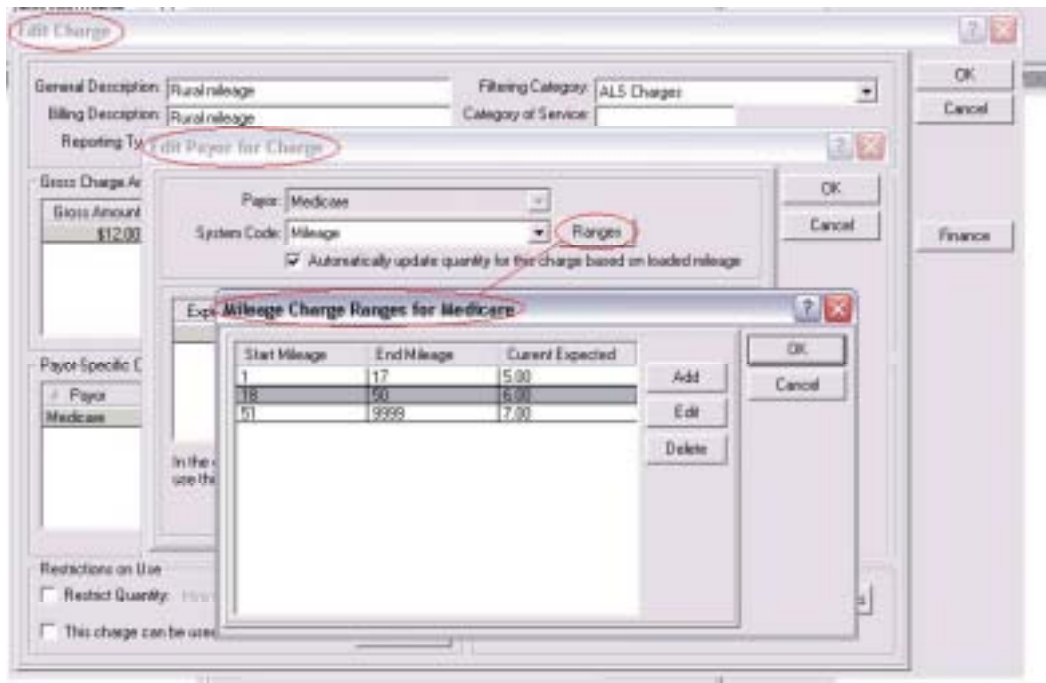
In the illustration above, you are configuring the software to retain the setup you have in place for all calls prior to July 1 **and** configuring it to manage the new allowable effective for calls on or after July 1. You can simply continue to add to this screen as you become aware of the allowables for the coming years.

## 2. Bonus mileage percentage for both urban and rural transports after 50 miles.

From July 1, 2004 through December 31, 2008 there will be a 25% bonus on all miles in excess of 50 for both rural *and* urban transports.

### What changes, if any, do I need to make to my software?

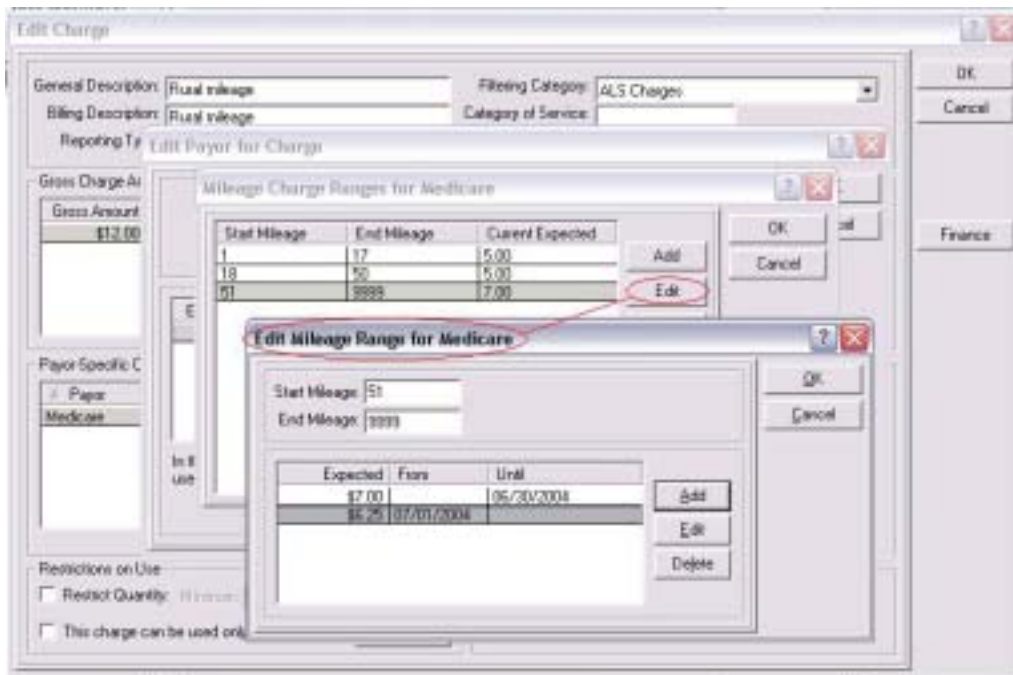
Just like with the new base rates, if you are using automatic contractual overrides, you will need to change the configuration for your payor-specific overrides to your mileage charge(s). One aspect will be different from the base rates, however – when configuring overrides for mileage, RescueNet Billing provides for the setup of different allowable amounts for different mileage ranges. Previously ranges only applied to rural miles. If you are already using this functionality, the setup of your rural mileage charge probably looks similar to this image from Administration.



(Note: the red circles above highlight the window layers traveled in order to reach the “Mileage Charge Ranges for Medicare” screen.)

While the dollar amounts (Current Expected) are fictitious in the above image, note how the software accommodates various allowances for various mileage ranges prior to the MMA. Since your current setup is still valid for dates of service *prior* to July 1,

2004 you should not remove them; instead you will change them as described in the earlier section on base rates. For example, the configuration for 51+ miles is illustrated in the image below:



### 3. Base rate increase for transports originating in the lowest quartile of rural.

This provision of the MMA allows for a 22.6% increase in the base payment rate for ground ambulance trips that originate in a rural area with a population density in the lowest quartile of all rural county populations, from July 1, 2004 through CY 2009. These “super rural” areas have been identified in the national zip code file through the use of suffix “B” in the rural indicator column. A link to this zip code file is available on the ZDS web site to assist you in determining those zip code areas that qualify as “super-rural” in your service areas.

#### What changes, if any, do I need to make to my software?

Just like the changes outlined previously, you will only need to make changes if you are currently using automatic contractual allowances by having Payor-specific overrides setup in your charges.

While RescueNet Billing has the ability to designate between rural and urban, it does not currently possess the ability to identify this extra classification of “super rural.” Therefore, *if any of these “super rural” areas exist within your service area*, you can either:

- a) Create additional base rate charges which have a payor-specific override for the new allowable provided as the result of the MMA, or

- b) Manually adjust the contractual allowance for any of calls that qualify as “super rural.”

Regardless of which solution you choose, it will be necessary to manually track those calls that originate in the “super-rural” areas and make changes to the trips manually.

***Special Note:*** Be aware that if you are currently using default charges, the software is not *currently* capable of distinguishing between a standard base rate and a “super rural” base rate. However, an enhancement is currently in development to include this functionality so that you can rely on “Default Charges” to automatically input your new super rural charges when appropriate. This enhancement will be part of RescueNet Billing service pack 3.4 which should be released later this Summer.

**4. One and two percent increases to the “Fee Schedule portion” of the base rate and mileage for all urban and rural services respectively.**

From July 1, 2004 through the end of CY 2006, this provision of the MMA establishes an overall increase of 1% for ground transports originating in urban areas and 2 % for ground transports originating in rural areas. The percentage increase applies to both the base rate and the mileage amount for the fee schedule portion of the payment for ground ambulance services.

**What changes, if any, do I need to make to my software?**

Once you have determined your new allowable amounts as the result of this aspect of the MMA, simply make the adjustments to your respective charges in RescueNet Administration. Remember to utilize the “from” and “until” ranges as illustrated in the screen images throughout this white paper.