CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-04 Medicare Claims Processing	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 1389	**Date: DECEMBER 7, 2007**
	Change Request 5827

Subject: Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year 2008

I. SUMMARY OF CHANGES: This transmittal provides information on the update to the changes to payment to ESRD facilities. They include: 1) a growth update to the drug add-on adjustment to the composite rate; and 2) an update to the wage index adjustments to reflect current wage data, including a revised budget neutrality adjustment.

For the drug add-on amount, we used the same growth update methodology as CY 2007. We applied the growth update methodology to the per treatment drug add-on amount. The total drug add-on adjustment for CY 2008, including the growth update, would be 15.5 percent (1.005 x 1.149 = 1.155).

Beginning January 1, 2008, we are implementing the third year of the wage index transition using a 25/75 blend of the old MSA-based wage index and the new CBSA-based wage index.

This change request also clarifies the weight calculation instructions for double amputee dialysis patients.

New / Revised Material
Effective Date: January 1, 2008
Implementation Date: January 7, 2008

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
R	8/20.1/Calculation of Case Mix Adjusted Composite Rate
N	8/20.1.1/Calculation for Double Amputee Dialysis Patients

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

Manual Instruction

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

Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 1389	Date: December 7, 2007	Change Request: 5827

SUBJECT: Implementation of Changes in End Stage Renal Disease (ESRD) Payment for Calendar Year (CY) 2008

Effective Date: January 1, 2008

Implementation Date: January 7, 2008

I. GENERAL INFORMATION

A. Background: Section 1881(b)(12) of the Act, as amended by section 623 of the MMA, directed the Secretary to make a number of revisions to the composite rate payment system, as well as payment for separately billable drugs furnished by ESRD facilities. For CY 2008, CMS did not propose any significant changes to composite rate payment methodology, but CMS made the following updates. The first is an update to the drug add-on adjustment to the composite rate; and second, an update to the wage index and transition. CMS made no policy changes as to how it pays for separately billed ESRD drugs. Therefore, for CY 2008, payment for separately billable drugs will continue to be made at ASP + 6 percent.

Also, for CY 2008, CMS is reducing the wage index floor from 0.8000 to 0.7500. After applying a budget neutrality adjustment of 1.055473, the wage index floor is 0.7916.

B. Policy: Upon implementation of this instruction, the following changes will be applied to all Medicare certified ESRD facilities:

- Update the drug add-on adjustment to the composite rate for CY 2008 of 0.5 percent. As a result, the drug add-on adjustment to the composite payment rate for CY 2008 will increase from 14.9 percent to 15.5 percent.

- For 2008, continue to pay for separately billable drugs furnished by ESRD facilities at ASP + 6 percent.

- Update the wage data and implement the third year of the wage index transition, using a 25/75 blended wage adjusted composite rate.

The ESRD payment changes will be effective January 1, 2008, and will be published in the Federal Register before that date.

This change request also clarifies the weight calculation instructions for double amputee dialysis patients.

II. BUSINESS REQUIREMENTS TABLE

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)										
		A/B MAC	DME MAC	FI	CARRIER		RHHI	Shared-System Maintainers				OTHER
								FISS	MCS	VMS	CWF	
5827.1	Medicare systems shall install the new ESRD Pricer software module effective January 1, 2008.							X				
5827.2	Medicare systems shall update the drug add-on for 2008 to 15.5 percent.											ESRD Pricer
5827.3	Medicare systems shall update the wage index blend for the 2008 ESRD pricer to 25/75.											ESRD Pricer

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)										
		A/B MAC	DME MAC	FI	CARRIER		RHHI	Shared-System Maintainers				OTHER
								FISS	MCS	VMS	CWF	
5827.4	A provider education article related to this instruction will be available at http://www.cms.hhs.gov/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their	X		X								

Number	Requirement	Responsibility (place an "X" in each applicable column)										
		A/B MAC	DME MAC	FI	CARRIER		RHHI	Shared-System Maintainers				OTHER
								FISS	MCS	VMS	CWF	
	Web site and include information about it in a listserv message within 1 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.											

IV. SUPPORTING INFORMATION

A. For any recommendations and supporting information associated with listed requirements, use the box below: N/A
Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

B. For all other recommendations and supporting information, use the space below: N/A

V. CONTACTS

Pre-Implementation Contact(s): For ESRD Policy, Lisa Hubbard (410) 786-5472/ lisa.hubbard@cms.hhs.gov , or Michelle Cruse (410) 786-7540/michelle.cruse@cms.hhs.gov; for Claims Processing, Wendy Tucker (410)786-3004/ wendy.tucker@cms.hhs.gov .

Post-Implementation Contact(s): For ESRD Policy, Lisa Hubbard (410) 786-5472/ lisa.hubbard@cms.hhs.gov , or Michelle Cruse (410) 786-7540/michelle.cruse@cms.hhs.gov; for Claims Processing, Wendy Tucker (410)786-3004/ wendy.tucker@cms.hhs.gov .

VI. FUNDING

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.

B. ***For Medicare Administrative Contractors (MAC)*****:**
The Medicare Administrative Contractor (MAC) is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as changes to the MAC Statement of Work (SOW). The contractor is not obligated to incur costs in excess of the amounts specified 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.

Medicare Claims Processing Manual

Chapter 8 - Outpatient ESRD Hospital, Independent Facility, and Physician/Supplier Claims

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(Rev. 1389, 12-07-07)

Transmittals for Chapter 8

Crosswalk to Source Material

20.1 – Calculation of Case Mix Adjusted Composite Rate

(Rev. 1389; Issued: 12-07-07; Effective: 01-01-08; Implementation: 01-07-08)

A case mix methodology adjusts the composite payment rate based on a limited number of patient characteristics. Variables for which adjustments will be applied to each facility's composite rate include age, body surface area (BSA), and low body mass index (BMI). These variables are determined in the ESRD PRICER to calculate the final composite rate (including all other adjustments).

The following table contains claim data required to calculate a final ESRD composite rate:

Claim Items	UB-92	ASC X12N 837i
Through Date	FL 6	2300 | DTP segment | 434 qualifier
Date of Birth	FL 14	2010BA | DMG02
Condition Code (73 or 74)	FL 24-30	2300 | HI segment | BG qualifier
Value Codes (A8 and A9) / Amounts	FL 39-41	2300 | HI segment | BE qualifier
Revenue Code (0821, 0831, 0841, 0851, 0880, or 0881)	FL 42	2400 | SV201

The following provider data must also be passed to the ESRD PRICER to make provider-specific calculations that determine the final ESRD composite rate:

Field	Format
Actual Geographic Location MSA	X(4)

Actual Geographic Location CBSA	X(5)
Special Wage Index	9(2)V9(4)
Provider Type	X(2)
Special Payment Indicator	X(1)
ESRD Rate from FISS Map 1105 or 105A or B	9(7)V9(2)

Based on the claim and provider data shown above, the ESRD PRICER makes adjustments to the facility specific base rate to determine the final composite payment rate. The following factors are used to adjust and make calculations to the final payment rate:

Provider Type	Drug add-on	Budget Neutrality Factor
Patient Age	Patient Height	Patient Weight
Patient BSA	Patient BMI	BSA factor
BMI factor	Condition Code 73 adjustment (if applicable)	Condition Code 74 adjustment (if applicable)

20.1.1 – Calculation for Double Amputee Dialysis Patients

(Rev. 1389; Issued: 12-07-07; Effective: 01-01-08; Implementation: 01-07-08)

For dialysis treatments on or after January 1, 2006, we are revising the reporting requirements for value codes A8 and A9 for double amputee dialysis patients.

Weight should be calculated based on pre-amputation weight using the following formula: Pre-amputation weight = Actual weight x 1.15

Example: Current weight for double amputee patient = 75.5 kg.

Pre-Amputation weight = 75.5 x 1.15 = 89kg.

The results should be reported under value code A8.

Height should be reported under value code A9 as pre-amputation height. Where feasible this measurement may be obtained from Form 2728.