

# Payment Matters®

Update on Medicare and Medicaid Payment Issues

[Subscribe](#)

[Payment Group](#)

[Payment Matters Archive](#)

March 8, 2012

[www.ober.com](http://www.ober.com)

## IN THIS ISSUE

[Job Creation Act Includes Key Medicare Payment Provisions](#)

[Increased Burdens on Providers from Proposed Rule on 60-day Repayment of Overpayments](#)

Editors: [Leslie Demaree Goldsmith](#) and [Carel T. Hedlund](#)

## Job Creation Act Includes Key Medicare Payment Provisions

By: [Mark A. Stanley](#)

On February 22, 2012, President Obama signed into law the [Middle Class Tax Relief and Job Creation Act of 2012 \[PDF\]](#) (Job Creation Act). Among other notable changes, the Job Creation Act prevents a substantial cut in Medicare physician payments under the sustainable growth rate (SGR) adjustment. Instead, physicians will continue to be paid with the zero percent payment update, enacted under the Temporary Payroll Tax Cut Continuation Act of 2011 (Continuation Act) through December 31, 2012.

The Job Creation Act makes the following changes:

- **Physician Payment Update** – Section 3003 of the Job Creation Act extends the zero percent update for physician payments through the remainder of the calendar year, and thus averts the scheduled SGR payment cut. However, the law does not extend key sections of the Continuation Act, including the 5% Physician Fee Schedule (PFS) add-on for mental health payments and the special 2011 payment rates for bone mass measurement.
- **Medicare Physician Work Geographic Adjustment Floor** – Section 3004 extends the existing 1.0 floor on the physician work geographic practice cost index through the end of the 2012 calendar year.
- **Section 508 Reclassifications** – Section 3001 extends the reclassifications and special exception wage indexes, originally established by Section 508 of the Medicare Modernization Act, through March 31, 2012.
- **Reduction of Bad Debt Payments** – Section 3201 reduces the amount of allowable Medicare bad debt reimbursement. Beginning with cost reporting periods that start during the 2013 federal fiscal year, hospitals and skilled nursing facilities will be reimbursed at a rate of 65% of the otherwise allowable amount of Medicare bad debt. Other providers will also experience a phased-in reduction in Medicare bad debt reimbursement, with reimbursement ultimately

*Payment Matters® is not to be construed as legal or financial advice, and the review of this information does not create an attorney-client relationship.*

Copyright© 2012, Ober, Kaler, Grimes & Shriver

# Payment Matters®

Update on Medicare and Medicaid Payment Issues

[Subscribe](#)

[Payment Group](#)

[Payment Matters Archive](#)

reduced to 65% of the otherwise allowable amount for cost reporting periods that begin during the 2015 federal fiscal year.

- **Rebasing Medicare Clinical Laboratory Payment Rates** – Section 3202 reduces Medicare payments for clinical laboratory services by an across-the-board rate of 2% in 2013, with the reduced fee schedule to serve as the base for 2014 and subsequent years.
- **Hold Harmless Payments** – Under Section 3002, outpatient hold harmless payments for rural hospitals and sole community hospitals with 100 or fewer beds are extended through the end of the 2012 calendar year. However, the Job Creation Act did not extend hold harmless payments to sole community hospitals with more than 100. Therefore, hold harmless payments to those hospitals will be discontinued, as of February 29, 2012.
- **Exceptions Process for Medicare Therapy Services** – Section 3005 extends the exceptions process of outpatient therapy services furnished to patients who have exceeded their payment caps. Beginning no later than October 1, 2012, and effective through the remainder of 2012, the Job Creation Act credits certain services furnished in a hospital outpatient department against the therapy cap. The relevant services – furnished to hospital outpatients and to inpatients who have exhausted their benefits – were previously excluded from the calculation of patients' total utilization of therapy services for purposes of the cap. In addition, beginning on October 1, 2012, Medicare must perform a manual medical review of therapy services furnished to a beneficiary under an exception request if the beneficiary has received aggregate therapy services in excess of a \$3700 threshold.
- **Moratorium on Qualified Pathologists and Independent Laboratory Billing for the Technical Component of Physician Pathology Services Furnished to Hospital Patients** – Section 3009 extends the moratorium through June 30, 2012. Qualified pathologists and independent laboratories that furnish pathology services to hospital patients may therefore continue to submit claims to Medicare for the technical component of the services, regardless of the patients' hospitalization status.
- **Ambulance Add-On Payments** – Section 3007 extends several ambulance payment adjustments from the Continuation Act through the end of the 2012

*Payment Matters®* is not to be construed as legal or financial advice, and the review of this information does not create an attorney-client relationship.

Copyright© 2012, Ober, Kaler, Grimes & Shriver

# Payment Matters®

Update on Medicare and Medicaid Payment Issues

[Subscribe](#)

[Payment Group](#)

[Payment Matters Archive](#)

calendar year. The Section increases the fee schedule amounts for ground ambulance transports. The increase is 3% for transports that originate in rural areas and 2% for transports that originate in urban areas. Areas that were designated as rural on December 31, 2006, will continue to be treated as rural for reimbursement of air ambulance services. In addition, ground ambulance services furnished in rural areas that are in the bottom quartile for population density will continue to be reimbursed using an increased base rate.

*Payment Matters®* is not to be construed as legal or financial advice, and the review of this information does not create an attorney-client relationship.

Copyright© 2012, Ober, Kaler, Grimes & Shriver