Paying for Outpatient Services: A Guide for People with Medicare

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

This booklet explains:

- How most hospital and community mental health center outpatient services are paid under the Original Medicare Plan
- Your rights and protections
- Where to call for help with your questions

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Note: The information in this booklet was correct when it was printed. Changes may occur after printing. For the most up-to-date version, look at www.medicare.gov on the web. Select "Publications." Or, call 1-800-MEDICARE (1-800-633-4227). A Customer Service Representative can tell you if the information has been updated. TTY users should call 1-877-486-2048.

Paying for Outpatient Services: A Guide for People with Medicare explains how Medicare will pay for most outpatient services. It isn't a legal document. The official Medicare provisions are contained in relevant laws, regulations, and rulings.

SECTION 1: Introduction

The Balanced Budget Act of 1997 created a new way that Medicare pays for most outpatient services covered by Medicare Part B in the Original Medicare Plan. This system is called the outpatient prospective payment system (OPPS).

The outpatient prospective payment system:

- is used for outpatient services you get in the hospital or a community mental health center.
- sets how much you pay and Medicare pays for outpatient services. Depending on the type of service you get and where you get the service, your out-of-pocket costs may be different from what they were in previous years for the same service.
- lowers your out-of-pocket costs over time. This will save you money.

Under this payment system, you get outpatient services the same way you get them now. You can go to any hospital or community mental health center that participates in the Medicare program. The only thing that this system affects is how much you pay, and how much Medicare pays for hospital and community mental health center outpatient services.

The outpatient prospective payment system doesn't apply to you if you are in a Medicare+Choice Plan.

If you need more information on Medicare+Choice Plans, get a free copy of the booklet *Medicare & You* (CMS Pub. No. 10050). To get a free copy, see page 10.

Words in green are defined on pages 14–16.

SECTION 2: Outpatient Prospective Payment System

How This Payment System Works

Under the outpatient prospective payment system, hospitals and community mental health centers are paid a set amount of money (called the payment rate) to give some outpatient services to people with Medicare. The payment rate includes:

- Medicare's payment amount for the service you get.
- your yearly Medicare Part B deductible ($100 in 2004) (if you have not already paid it for the year). This amount can change each year.
- your copayment amount or coinsurance.

The payment rate isn't the same for all hospitals and community mental health centers. The payment rate for a hospital or community mental health center is a national rate adjusted to reflect what people are paid to work in hospitals in the area where you get services. Each January 1, Medicare updates the payment rates to keep up with changes in the cost of providing services.

Services That Are Paid For Under This System

Medicare pays for most Medicare Part B outpatient services you get at a hospital or community mental health center under the outpatient prospective payment system. An outpatient service is any service you get in one day (24 hours). This includes services like:

- x-rays (radiology)
- stitches for a cut
- an emergency room visit
- getting a cast

Medicare also uses the outpatient prospective payment system to pay for some services you get from other facilities. These services include:

- some Medicare Part B services for inpatient hospital care (like diagnostic x-rays). These services will be paid for if you don't have Medicare Part A or have used up all of your Medicare Part A benefits.
- some preventive shots/vaccines (for example, a flu shot), antigens, casts, and splints you can get from a home health agency.
- some preventive shots/vaccines (like a pneumonia shot) you get from a comprehensive outpatient rehabilitation facility.

Services That Are Paid For Under This System (continued)

- splints, antigens, and casts you get as a hospice patient to treat a non-terminal illness.
- some outpatient services you get at a skilled nursing facility.
- partial hospitalization services you get from a community mental health center. For more information on partial hospitalization, get a free copy of the booklet *Medicare and Your Mental Health Benefits* (CMS Pub. No. 10184). To get a free copy, see page 10.

Services That Aren't Paid For Under This System

Some outpatient services are covered by Medicare, but aren't paid for under the outpatient prospective payment system. Medicare pays for these services under other Medicare payment systems. These services include:

- clinical diagnostic laboratory services
- screening mammograms
- ambulance services
- physical therapy, occupational therapy, or speech-language therapy services
- orthotics, non-implantable prosthetics, or durable medical equipment
- dialysis for End-Stage Renal Disease (permanent kidney failure requiring dialysis or a kidney transplant)
- outpatient hospital services from critical access hospitals (small hospitals that give limited outpatient and inpatient hospital services to people in rural areas)
- outpatient services from an Indian Health Service hospital
- outpatient services from any hospital in Maryland (Maryland hospitals are paid under their state's payment system.)
- outpatient services from any hospital in Guam, Saipan, American Samoa, or the Virgin Islands

Words in green are defined on pages 14–16.

Your Costs

You pay:

- the yearly Medicare Part B deductible ($100 in 2004). This amount can change each year.
- a copayment or coinsurance amount for each service you get in an outpatient visit. Each copayment or coinsurance amount can't be more than the Medicare Part A inpatient hospital deductible ($876 in 2004).
- all charges for items or services that Medicare doesn't cover.

Example: Mr. Davis needs to have his cast removed. He goes to his local hospital outpatient department. The hospital charges $150 for this procedure. His copayment amount for this procedure, under the outpatient prospective payment system, is $16. Mr. Davis has only paid $50 of his $100 Medicare Part B deductible. To have his cast removed, Mr. Davis must pay $66 ($50 deductible + $16 copayment).

Note: If you have a Medigap policy (Medicare Supplement Insurance), other supplemental coverage, or employer or union coverage, it may pay for the Medicare Part B deductible, and copayment amount or coinsurance.

How is the amount I pay decided?
There are many factors that are used to figure out how much you pay for outpatient services. These factors include:

- the exact middle amount (national median charge) that all hospitals have charged for the particular service in the past.
- the amount people are paid to work in hospitals in the area where you get services.
- whether the hospital chooses to lower the copayment amount for a particular service.
- whether you have more than one procedure at the same time. If you have more than one procedure at the same time, the payment rate may be lowered. This will lower the amount you must pay.

Words in green are defined on pages 14–16.

Your Costs (continued)

Will the amount I have to pay change each year?
Maybe. The amount you pay may change each year if the amount people are paid to work in hospitals in your area changes. If the amount people are paid to work in hospitals in your area doesn't change, the amount you pay for each service you get will be the same each year until it equals 20% of the payment rate. Once it equals 20% of the payment rate, the amount you pay may change each year if the payment rate or hospital wages in your area change. The amount you pay can't be more than a certain percentage of the payment rate. That percentage goes down over time. In 2002 and 2003, the maximum percentage you have to pay is 55%. In 2004, it goes down to 50%.

Example: Mr. Walters gets a hearing test every year at his local outpatient hospital department. The amount he pays for this service is the same each year until 2003 (see table below). In 2003, the amount he pays equals 20% of the payment rate. Therefore, after 2003, the amount he pays increases as the payment rate increases. However, his costs are still 20% of the payment rate.

Year	2001	2002	2003	2004
Payment rate	$73	$90	$110	$130
Amount Mr. Walters pays	$22	$22	$22	$26
Percent of payment rate	30%	24%	20%	20%

Your Costs (continued)

How will I know what I have to pay for outpatient services I get?
After you get an outpatient service, your provider will send a bill to the Fiscal Intermediary. The Fiscal Intermediary is the private company that handles outpatient bills for Medicare. After the Fiscal Intermediary processes the bill, you will get a Medicare Summary Notice. This notice will show how much you have to pay for the services you got. The notice will also show how much Medicare paid your provider for the services.

Check the Medicare Summary Notice carefully. Make sure Medicare wasn't billed for services, medical supplies, or equipment you didn't get.

If you have any questions about your bill or services listed on the notice, call the health care provider or Fiscal Intermediary in your state. The phone number for the Fiscal Intermediary is at the top of the Medicare Summary Notice and on pages 11–13. If you disagree with what is covered or paid, you have the right to file an appeal (see page 9).

Will I pay more or less for outpatient services under this payment system?
Ultimately, you will pay less for outpatient services. In the meantime, whether you pay more or less than in previous years will depend on which hospital or community mental health center you go to in your area and what they charged in the past for the service you need. If the hospital or community mental health center you go to had high charges for a service, under this system your costs for this service will be lower. If the hospital or community mental health center had low charges, your costs might be higher for the first few years.

I got my bill for an outpatient service I get on a regular basis. The amount I must pay is more than what I have paid before. Why is it higher?
Before the outpatient prospective payment system was used, you paid 20% of the amount your hospital charged for the service. People with Medicare who got the same service at different hospitals paid different amounts because hospitals charged different amounts for the same service.

Your Costs (continued)

I got my bill for an outpatient service I get on a regular basis. The amount I must pay is more than what I have paid before. Why is it higher? (continued)

Now, Medicare sets the amount you will pay for outpatient services. Medicare decides this amount by looking at how much all hospitals across the country have charged for a service (national median charge). You pay a percentage of this amount adjusted for wages in your area. This change means that people with Medicare will pay similar amounts for the same service no matter which hospital they go to. If the amount you pay for your service is higher than in the past, your hospital may have charged less for this service than other hospitals in the country.

Example: Mrs. Smith goes to the hospital to get a chest x-ray. Her hospital used to charge $80 for this service. The national median charge for a chest x-ray for all hospitals across the country is $110. The amount Mrs. Smith pays for this service is higher than before.

Amount Mrs. Smith paid before	Amount Mrs. Smith pays now
$16 (20% of $80)	$22 (20% of the national median charge of $110)

Important: Sometimes hospitals provide outpatient services at locations off of their main campus. If you get medical care at a hospital outpatient department that isn't located on the hospital's main campus, the hospital must tell you, in writing, that:

- you are getting care in a hospital setting.
- you may have to pay more for your care.

The hospital must tell you how much more you will have to pay. If your doctor isn't sure which services you may need, the hospital may estimate how much you will have to pay. You must be given this information before you get the service, except in emergencies. The information must be written in a way that you can read and understand. If someone else makes medical decisions for you, the hospital must give them this information before you get medical care.

Words in green are defined on pages 14–16.

Your Costs (continued)

Who pays if I have the Original Medicare Plan and other insurance or coverage?
If you have other insurance or coverage, like an employer or union plan, or Medigap policy, it may pay for costs that the Original Medicare Plan doesn't cover. Your other insurance or coverage may also pay for some services before the Original Medicare Plan pays for the same service. If you have questions about who pays first, or how your other insurance or coverage pays for your outpatient services, call your insurance company or the benefits administrator. You can also get a free copy of the booklet *Medicare and Other Health Benefits: Your Guide to Who Pays First* (CMS Pub. No. 02179). To get a free copy, see page 10.

What if I paid more than the amount listed on the Medicare Summary Notice?
If the amount you paid the hospital or community mental health center at the time of service is more than what was listed on the Medicare Summary Notice, call the provider and ask for a refund. They must give you the difference between what you paid and the amount listed under the deductible and coinsurance section on the Medicare Summary Notice.

What if I paid less than the amount listed on the Medicare Summary Notice?
If you paid less than the amount listed under the deductible or coinsurance section on the Medicare Summary Notice, the hospital or community mental health center may bill you for the difference.

If you have other insurance or coverage, it may pay some of these costs. Check with your insurance company or benefits administrator to see how your insurance or coverage works with the Original Medicare Plan.

Words in green are defined on pages 14–16.

SECTION 3: Your Medicare Rights

If you have Medicare, you have certain guaranteed rights to help protect you. One of these is the right to a fair, efficient, and timely process for appealing decisions about health care payment or services. Some of the reasons you may appeal are when:

- You don't agree with the amount that is paid.
- A service or item isn't covered and you think it should be covered.
- A service or item is denied and you think it should be paid.

You must be given instructions for filing an appeal. These instructions are on the Medicare Summary Notice. If you decide to file an appeal, ask your doctor or provider for any information that may help your case. You can also call the State Health Insurance Assistance Program in your state (see pages 11–13) for help filing an appeal.

In addition, you have certain rights to:

- information
- get emergency services
- go to any doctor, specialist, or hospital
- participate in treatment decisions
- know your treatment choices
- get culturally competent services (for example, under certain circumstances, getting information in languages other than English from Medicare, and its providers and contractors)
- file complaints
- nondiscrimination
- privacy of personal information
- privacy of health information

For more detailed information about your rights and protections, you can get a free copy of the booklet *Your Medicare Rights and Protections* (CMS Pub. No. 10112). To get a free copy, see page 10.

Words in green are defined on pages 14–16.

What can I do if I am concerned about the quality of my care?
If you think the hospital or community mental health center isn't giving you good quality care, call the Quality Improvement Organization in your state (see pages 11–13).

SECTION 4: Free Medicare Booklets

Health care decisions are important. Medicare tries to give you information to help you make good decisions. You can order free booklets from Medicare to learn more about the topics that are of interest to you. We are always adding new booklets with detailed information about important subjects.

How do I get these booklets?

You can:

1. Look at www.medicare.gov on the web and select "Publications." You can read, print, or order some booklets. This is the fastest way to get a copy.
2. Call 1-800-MEDICARE (1-800-633-4227). Follow the instructions to get a publication. TTY users should call 1-877-486-2048. You will get your copy within three weeks.
3. Put your name on the web mailing list to get an e-mail message every time a new booklet is available. To sign up, go to www.medicare.gov and select "Mailing List" at the bottom of the page. Then, select the topic "Publications" and choose "Join or leave the list, or update options."

Many booklets are available in English, Spanish, Audiotape (English and Spanish), Braille, and Large Print (English and Spanish).

Fiscal Intermediary: Call about Part A bills and services, hospital care, skilled nursing care, and fraud and abuse.

Quality Improvement Organization: Call about quality of care concerns, filing an appeal or complaint, and questions about your rights as a hospital patient.

State Health Insurance Assistance Program: Call about help with filing an appeal and other general insurance questions.

State	Fiscal Intermediary	Quality Improvement Organization	State Health Insurance Assistance Program
Alabama	(800) 292-8855	(800) 760-3540	(800) 243-5463
Alaska	(877) 602-7896	(800) 445-6941	(800) 478-6065
American Samoa	(866) 264-4990	(800) 524-6550	(888) 875-9229
Arizona	(877) 602-7909	(800) 359-9909	(800) 432-4040
Arkansas	(877) 356-2368	(800) 272-5528	(800) 224-6330
California	(866) 804-0684	(800) 841-1602	(800) 434-0222 in-state calls only
Colorado	(800) 442-2620	(800) 727-7086	(888) 696-7213
Connecticut	(800) 442-8430	(800) 553-7590	(800) 994-9422
Delaware	(800) 442-8430	(866) 475-9669	(800) 336-9500
Florida	(800) 333-7586	(800) 844-0795	(800) 963-5337

Note: At the time of printing, telephone numbers listed were correct. To get the most up-to-date telephone numbers, look at *www.medicare.gov* on the web. Select "Helpful Contacts." Or, call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

State	Fiscal Intermediary	Quality Improvement Organization	State Health Insurance Assistance Program
Georgia	(800) 322-3380	(800) 979-7217	(800) 669-8387
Guam	(866) 264-4990	(800) 524-6550	(888) 875-9229
Hawaii	(866) 264-4990	(800) 524-6550	(888) 875-9229
Idaho	(866) 804-0681	(800) 445-6941	(800) 247-4422
Illinois	(877) 602-2430	(800) 383-2856	(800) 548-9034
Indiana	(877) 602-2430	(800) 288-1499	(800) 452-4800
Iowa	(877) 910-8139	(800) 752-7014	(800) 351-4664
Kansas	(800) 445-7170	(785) 273-2552	(800) 860-5260
Kentucky	(877) 602-2430	(800) 288-1499	(877) 293-7447
Louisiana	(800) 932-7644	(800) 433-4958	(800) 259-5301
Maine	(888) 896-4997	(800) 772-0151	(800) 750-5353
Maryland	(800) 655-1636	(800) 492-5811	(800) 243-3425
Massachusetts	(888) 896-4997	(781) 890-0011	(800) 243-4636
Michigan	(866) 804-0686	(800) 365-5899	(800) 803-7174
Minnesota	(800) 330-5935	(800) 444-3423	(800) 333-2433
Mississippi	(800) 932-7644	(800) 844-0600	(800) 948-3090
Missouri	(877) 647-6528	(800) 347-1016	(800) 390-3330
Montana	(866) 737-8928 x4086	(800) 497-8232	(800) 551-3191
Nebraska	(877) 602-7775	(800) 458-4262	(800) 234-7119
Nevada	(877) 647-6528	(800) 748-6773	(800) 307-4444
New Hampshire	(800) 522-8323	(800) 772-0151	(800) 852-3388
New Jersey	(866) 641-2007	(732) 238-5570	(800) 792-8820
New Mexico	(800) 442-2620	(505) 998-9898	(800) 432-2080
New York	(800) 442-8430	(800) 331-7767	(800) 333-4114
North Carolina	(800) 223-1296	(800) 722-0468	(800) 443-9354

State	Fiscal Intermediary	Quality Improvement Organization	State Health Insurance Assistance Program
North Dakota	(800) 247-2267	(701) 852-4231	(800) 247-0560
Northern Mariana Islands	(866) 264-4990	(800) 524-6550	(888) 875-9229
Ohio	(877) 602-2430	(800) 589-7337	(800) 686-1578
Oklahoma	(877) 910-8153	(800) 522-3414	(800) 763-2828
Oregon	(866) 804-0681	(800) 344-4354	(800) 722-4134
Pennsylvania	(800) 633-4227 Opts 1,3,3 (in order)	(800) 322-1914	(800) 783-7067
Puerto Rico	(866) 863-8598	(787) 641-1240	(877) 725-4300
Rhode Island	(800) 662-5770	(800) 662-5028	(401) 462-3000
South Carolina	(800) 583-2236	(803) 731-8225	(800) 868-9095
South Dakota	(877) 910-8139	(800) 658-2285	(800) 536-8197
Tennessee	(866) 641-2007	(800) 528-2655	(877) 801-0044
Texas	(800) 442-2620	(800) 725-8315	(800) 252-9240
Utah	(866) 804-0681	(800) 274-2290	(801) 541-7735
Vermont	(800) 522-8323	(800) 772-0151	(800) 642-5119
Virgin Islands	(866) 863-8598	(340) 712-2444	(340) 776-8311
Virginia	(877) 768-5471	(804) 289-5320	(800) 552-3402
Washington	(877) 602-7896	(800) 445-6941	(800) 397-4422
Washington DC	(800) 655-1636	(800) 645-0011	(202) 739-0668
West Virginia	(877) 768-5471	(800) 642-8686 x2266	(877) 987-4463
Wisconsin	(800) 531-9695	(800) 362-2320	(800) 242-1060
Wyoming	(888) 557-2301	(800) 497-8232	(800) 856-4398

Coinsurance - The percentage of the Medicare payment rate or a hospital's billed charge that you have to pay after you pay the deductible for Medicare Part B services.

Community Mental Health Center - A place where Medicare patients can go to receive partial hospitalization services (see Partial Hospitalization).

Comprehensive Outpatient Rehabilitation Facility - A facility that provides a variety of services including physicians' services, physical therapy, social or psychological services, and outpatient rehabilitation.

Copayment - Under the outpatient prospective payment system, the fixed amount you pay for each outpatient service you get.

Critical Access Hospital - A hospital facility to which Medicare has given a specific status, to provide outpatient and certain inpatient services to people in rural areas.

Deductible - The amount you must pay for health care before Medicare begins to pay, either each benefit period for Part A, or each year for Part B. These amounts can change every year.

***End-Stage Renal Disease (ESRD)** - Kidney failure that is severe enough to need lifetime dialysis or a kidney transplant.

Fiscal Intermediary - A private company that has a contract with Medicare to pay Part A and some Part B bills. (Also called "Intermediary.")

Home Health Agency - An organization that gives home care services, like skilled nursing care, physical therapy, occupational therapy, speech therapy, and care by home health aides.

Hospice Care - A special way of caring for people who are terminally ill, and for their family. This care includes physical care and counseling. Hospice care is covered under Medicare Part A (Hospital Insurance).

Medicare Part A (Hospital Insurance) - Hospital insurance that pays for inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care.

Medicare Part B (Medical Insurance) - Medical insurance that helps pay for doctors' services, outpatient hospital care, and other medical services that are not covered by Part A.

* This definition in whole or in part, was used with permission from Walter Feldsman, Esq., Dictionary of Eldercare Terminology, 2000.

Medicare+Choice Plan - A Medicare program that gives you more choices among health plans. Everyone who has Medicare Parts A and B is eligible, except those who have End-Stage Renal Disease unless certain exceptions apply.

Medigap Policy - A Medicare supplement insurance policy sold by private insurance companies to fill "gaps" in Original Medicare Plan coverage. Except in Massachusetts, Minnesota, and Wisconsin, there are 10 standardized policies labeled Plan A through Plan J. Medigap policies only work with the Original Medicare Plan.

National Median Charge - The national median charge is the exact middle amount of the amounts charged for the same service. This means that half of the hospitals and community mental health centers charged more than this amount and the other half charged less than this amount for the same service.

Original Medicare Plan - A pay-per-visit health plan that lets you go to any doctor, hospital, or other health care supplier who accepts Medicare and is accepting new Medicare patients. You must pay the deductible. Medicare pays its share of the Medicare-approved amount, and you pay your share (coinsurance). The Original Medicare Plan has two parts: Part A (Hospital Insurance) and Part B (Medical Insurance).

Outpatient Prospective Payment System - The way that Medicare pays for most outpatient services at hospitals or community mental health centers under Medicare Part B.

Outpatient Services - Services you get in one day (24 hours) at a hospital outpatient department or community mental health center.

Partial Hospitalization - A structured program of active treatment for psychiatric care that is more intense than the care you get in your doctor's or therapist's office.

Payment Rate - The total payment that a hospital or community mental health center gets when they give outpatient services to Medicare patients.

Quality Improvement Organization - Groups of practicing doctors and other health care experts. They are paid by the Federal Government to check and improve the care given to Medicare patients. They must review your complaints about the quality of care given by inpatient hospitals, hospital outpatient departments, hospital emergency rooms, skilled nursing facilities, home health agencies, Private Fee-for-Service plans, and ambulatory surgical centers.provides skilled nursing or rehabilitation services to help you recover after a hospital stay.

Skilled Nursing Facility - A nursing facility with the staff and equipment to give skilled nursing care and/or skilled rehabilitation services and other related health services.

State Health Insurance Assistance Program (SHIP) - A State program that gets money from the Federal Government to give free local health insurance counseling to people with Medicare.

SECTION 7: Index

U.S. Department of Health and Human Services

Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244-1850

Official Business
Penalty for Private Use, $300

Publication No. CMS-02118
Revised March 2004

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