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DATE: July 12, 2024

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

FROM: Jennifer Shapiro
Director, Medicare Plan Payment Group

SUBJECT: Release of Additional Information Regarding Total Pass-Through Amounts Data for Optional Use by Medicare Advantage Organizations (Update)

This memo is to notify Medicare Advantage Organizations (MAOs) about updates related to Provider Specific Files (PSFs) and the Inpatient Prospective Payment System (IPPS).

PSFs are maintained by the Medicare Administrative Contractors (MACs) and contain provider-specific information affecting computations for the IPPS for Medicare Fee-for-Service (FFS). The data in these files are derived from CMS operational data and records used by CMS for operational purposes; CMS does not guarantee that the files are free from error or appropriate for purposes other than CMS's own operations. These files are available for public use and we are aware that MAOs may use these PSFs to determine payments they make to hospitals. For several years prior to 2022, the contents of one particular field may have led to potential unintended payments made by plans.

As background, the PSF contains an informational Total Pass-Through Amount (TOT-PTA) field that is intended to approximate the cost-based payments a hospital receives in addition to, but separate from, their IPPS payments. The TOT-PTA field includes a summation of payments across a variety of payment streams, such as Organ Acquisition Costs and Direct Medical Education costs, and formerly included Bad Debt amounts. However, in CY 2022, CMS became aware that the PSFs for Jurisdictions 15 J and M retained Bad Debt in the informational TOT-PTA field. While this information does not affect Medicare FFS reimbursement, we are aware that MAOs may utilize this field in the PSFs when using the IPPS Web Pricer in determining provider reimbursement.¹ For this reason, the inclusion of Bad Debt amounts in the TOT-PTA field in the PSF could result in discrepancies in MA payments to hospitals from MAOs using Jurisdictions 15 J and M PSFs.

This issue was addressed in CY 2022 to exclude Bad Debt amounts from the TOT-PTA field for all jurisdictions starting in May 2022 and going forward. In December 2023, CMS also provided data on per diem Bad Debt amounts for Jurisdictions 15 J and M for CY 2018 through

¹ MA Payment Guide for Out of Network Payments available at <https://www.cms.gov/medicare/health-plans/medicareadvantagestats/downloads/oonpayments.pdf>

2022. CMS has now released corrected PSFs for CY 2018 through 2022 for Jurisdictions J and M with the Bad Debt amounts removed. This information is available on CMS' website: <https://www.cms.gov/medicare/payment/prospective-payment-systems/provider-specific-data-public-use-text-format>.

In accordance with their contract with CMS, MAOs must comply with all existing CMS regulations and guidance regarding reimbursement to providers and beneficiary cost sharing.²

For questions regarding this memo, please contact the Part C Payment Policy mailbox at PartCPaymentPolicy@cms.hhs.gov.

² Please refer to the [Medicare Managed Care Manual](#) and CMS's Medicare Advantage Resources [webpage](#) for additional information.