

Improve Rural Health Care Access: *Strengthen the Anesthesia Rural Pass-through*

Frequently Asked Questions

ISSUE

Medicare permits certain low-volume, rural hospitals to pay for the services of nurse anesthetists and anesthesiologist assistants through a Medicare Part A, cost-based, “pass-through” mechanism. The mechanism is used in lieu of a Part B payment for anesthesia services. Medicare should extend this program to all anesthesia providers, including physician anesthesiologists, who are presently excluded by law from participation.

QUESTIONS

→ What is the Rural Pass-through?

The rural “pass-through” was a temporary mechanism created to preserve access to anesthesia services in rural areas. It was subsequently made permanent.

Medicare normally pays for the services of anesthesia providers using the Medicare Part B fee schedule. However, low Part B payments and low patient volume make retention of anesthesia providers difficult for some rural hospitals. A statutory rural hospital exception exists dating back to the 1980s that allows for a cost-based payment arrangement under Medicare Part A for the services of certain anesthesia providers - nurse anesthetists and anesthesiologist assistants, but **not** physician anesthesiologists.

Under regulations issued by the Centers for Medicare and Medicaid Services (CMS), a nurse or assistant employed by or contracting with a hospital can be paid under an actual cost Medicare Part A payment arrangement calculated on a reasonable cost “pass-through” basis. In order for the hospital to utilize this alternative payment arrangement, it must meet the following requirements outlined in 42 CFR 412.113(c)(2)(i):

- It is a rural hospital;
- The hospital employs or contracts with no more than one full-time equivalent (FTE) qualified anesthesia provider;
- The qualified anesthesia provider has signed an agreement under which he or she agrees not to bill under Part B for anesthesia services furnished at the hospital; and
- The hospital’s volume of surgical procedures furnished to inpatients and outpatients involving anesthesia services does not exceed 800 per year.

→ Why should the pass-through program include anesthesiologists?

Extending the pass-through to physician anesthesiologists allows eligible rural hospitals to utilize the one FTE rural incentive payment for **all** types of anesthesia providers.

There is an acknowledged shortfall of physician health care providers in rural areas. By extending the pass-through to physicians, hospitals could more readily recruit and retain physician anesthesiologists to provide a full range of patient care services in rural areas.

→ Would expanding to physician anesthesiologists exclude other members of the care team?

No. All members of the anesthesia care team would still be eligible for the rural pass through mechanism.

→ In what forms are the pass-through payments made to the anesthesia providers? Are they monthly, quarterly or annual payments?

Providers receive interim payments similar to their actual reasonable costs. The timing of these interim payments may vary from one provider to the next, but they are made at least monthly. CMS regulations require the fiscal intermediary to make payments on the most expeditious basis administratively feasible.

→ How are the reasonable cost payments to nurses and anesthesiologist assistants determined?

As defined in regulation at 42 CFR 413.9, reasonable cost payments are based on the reasonable cost of services covered under Medicare and related to beneficiary care. The regulations state that they are “usually costs that are common and accepted occurrences in the field of the provider’s activity” (413.9(b)(2)). Therefore, costs of providers’ services can vary from one provider to another. The intent is to meet the providers’ actual costs, but Medicare may place some limitations if a particular provider’s costs are found to be out of line with similar providers in the same area and of similar size, scope of services, utilization and other relevant factors.

→ Would the statutory addition of physician anesthesiologists to the list of those practitioners eligible for the pass-through change the method by which reasonable costs are calculated?

The method by which reasonable costs are calculated is firmly established in the regulations at 42 CFR 413 (413.9, 413.60, 413.64). The simple addition of physician anesthesiologist to the statute would not change the current reasonable cost methodology.

→ How many hospitals currently have “pass-through” designation?

There are approximately 600 hospitals nationwide that utilize this program.