USE OF CLAIMS DATA TO CALCULATE APC PAYMENTS INCLUDING PACKAGING

Advisory Panel on Hospital Outpatient Payment

Presented by The Provider Roundtable

August 19, 2019

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The Provider Roundtable (PRT)

- PRT members represent 13 hospitals and/or health systems representing patients from 35 states across the country
- As provider employees, we have no financial relationship to report related to this proposal

Affected CPTs and APCs

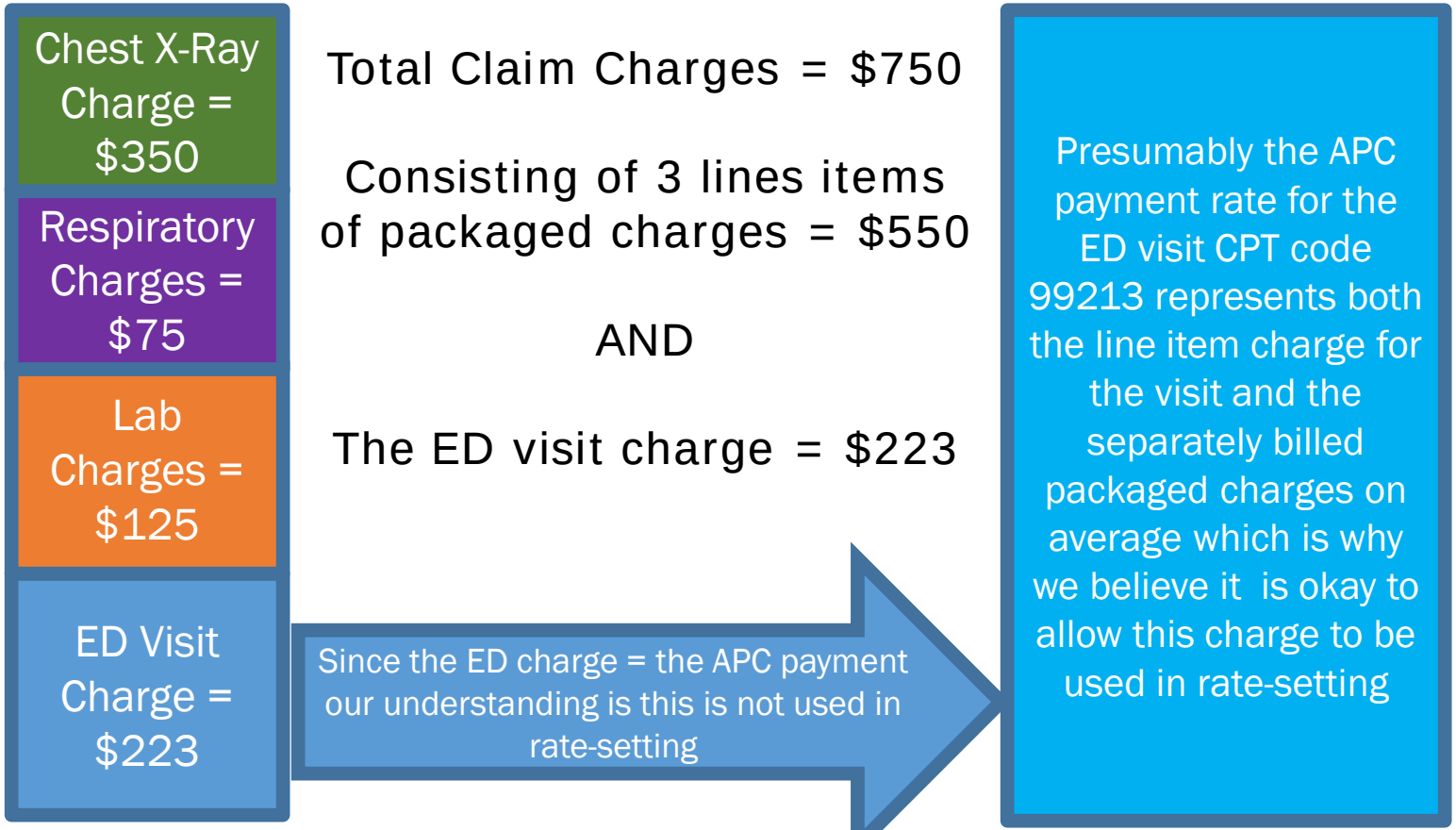
- CPT/HCPCS Codes: All payable CPT/HCPCS codes including those containing packaged costs are impacted
- APCs: All separately payable APCs are impacted

Description of Costing Methodology Issue

- In its claims accounting document, CMS explains the methodology for estimating costs by breaking certain steps of its methodology into stages and this methodology describes how costs for packaged services are incorporated into the APC payment rates
- The PRT has concerns regarding a step in Stage 3 and the potential impact on the calculation of payment rates and APC relative weights
  - In Stage 3, CMS deletes claims for which the "charges equal the revenue center payment" (that is, the Medicare APC payment)
  - We believe CMS does this because it is under the assumption that, where the charge equals payment, to apply a cost-to-charge ratio (CCR) to the charge would not yield a valid estimate of provider cost
    - At the initiation of OPPS this step was likely appropriate due to limited packaging
    - Today with increased packaging, APC payments likely include significant packaged costs for drugs, devices, labs, and ancillary services making this comparison questionable
      - *A single line item charge is not directly comparable to the APC payment rate because the payment rate represents: (1) estimated cost of the line item itself plus (2) estimated cost of packaged services*
      - *Additionally, a line item charge to APC payment rate comparison is not valid because the claim on which the revenue center charge is billed can include multiple separate line item charges billed for other items that end up being packaged and billed under other revenue centers.*

Description of Costing Methodology Issue (cont.)

- Example of our understanding of this step in Stage 3.
- Consider an ED visit for persistent cough and fever.
  - The ED visit level CPT code 99283 is the only payable APC service
  - Three packaged ancillary services are also billed: sputum induction, lab cultures, and a chest x-ray



Description of the Issue

- CMS' published rate setting data helps hospitals to understand packaging and rate setting but providers do not have complete data concerning packaged services included in the published APC rates.
- At last year's HOP meeting, the HOP Panel recommended that CMS publish additional information about packaged services; specifically that it publish information for labs and ancillary services similar to how it already does for drugs and devices.
- CMS has not yet published complete information making it difficult for hospitals and stakeholders to understand all of the services that each APC is intended to pay, inclusive of those that are packaged

Consequences of Excluding Claims Data & Incomplete Packaging Information

- CMS may be excluding correct charges during the Stage 3 step where revenue center charges that equal the APC payment are excluded. It is unclear if CMS makes this evaluation at the line item level or summing all line items with the same revenue code for the "revenue center" comparison. It is unclear how this step may impact the payment rate calculations and the relative weights for APCs.
- Many hospitals use CMS' published rate setting information when evaluating their own charge set up and CMS step in Stage 3 implies hospital charges must exceed the APC payment rate which is incorrect since many of rates include payment for packaged services that are billed separately under different revenue codes such as drugs, lab tests and other ancillary services.
- It is also important that hospitals have the full picture of packaged costs built into APC payment rates and without this information stakeholders cannot perform accurate or complete analyses or understand the impact of packaging on APC payment rates and hospitals do not have a complete picture or understanding of what is included in APC payment rates.
- Without complete data of each major step of the claims accounting methodology, stakeholders are not able to grasp the scope and importance of each of CMS' packaged payment policies and the impact of those policies on payable APCs.

Recommendation

- The PRT recommends the HOP Panel ask CMS to better explain and detail this step in Stage 3 of the claims accounting document.
- The PRT requests CMS evaluate the appropriateness of the step in Stage 3 that excludes revenue center charges that equal the payment rate from rate setting, particularly since the payment rate includes payment for packaged services.
- The PRT also requests the HOP Panel encourage CMS to adopt its 2018 recommendation and publish complete packaging data for each major type of packaged costs outlined in the claims accounting methodology.
  - Separate information for clinical lab tests and ancillary services should be released in annual APC offset files in the same way that CMS publishes packaging data for packaged drugs and devices
- The PRT requests that CMS publish this data with both the proposed and final rules.

Expected Outcomes

- Possible improved relativity of payment rates based on using charges reflecting actual cost of services before packaging costs of other charges.
- A better understanding by all of the breadth, depth, and inclusion of packaged dollars in APC payment rates.
- Improved understanding of hospitals and other stakeholders about each stage of CMS' rate-setting methodology related to the different types of packaged services which will enable more robust and meaningful comments and analyses to be provided to CMS in the future about its packaging policies.

Summary and Final Recommendation

- (1) CMS should explain and assess the appropriateness of excluding charges from rate-setting simply because the revenue center charge is equal to the APC payment

- (2) CMS should implement the HOP Panel's 2018 recommendation to publish complete data on each packaged payment policy category in the APC off-set file and should publish this file with both the proposed and final rule