ASC Payment System Update for 2008

Beginning in Calendar Year (CY) 2008, CMS began implementing a revised payment system for ambulatory surgery centers (ASCs), which uses the current hospital outpatient prospective payment system (HOPPS) as the framework and guide for the revised payment system for freestanding ASCs. For the new system, CMS has set the payment rates for independent free-standing ASCs at 65% for the 2008 implementation of the HOPPS rates for the same procedures performed in a hospital outpatient department (HOPD) setting. The payment rates for procedures subject to the transition for CY 2008 are comprised of a 25/75 blend; specifically twenty-five percent (25%) of the CY 2008 revised ASC rate plus seventy-five percent (75%) of the CY 2007 ASC rate. In CY 2009, the blend will change to 50/50, and for CY 2010, it will be 75/25. Beginning in CY 2011, CMS will fully implement the revised ASC payment rates. The revised payment ASC conversion factor will be updated by the consumer price index for urban consumers while the HOPPS conversion factor will be updated by the hospital market basket. Geographic adjustments will be made using the most recent hospital wage index. The new payment system will continue to pay ASCs a facility fee designed to cover costs. However, the classifications for ASC payment are now called “ambulatory payment classifications” (APC) instead of “groupers.” Under the APC-based payment system, outpatient providers will share the risk of treating Medicare patients. If costs exceed the predetermined payment, the provider will suffer the loss. If, however, services are delivered at a lower cost than the defined payment, the provider will realize a profit. The Medicare Payment Advisory Commission (MedPAC) recommended this system to make payments more equitable across settings and services by using a common definition of the unit of payment and common method to calculate relative weights, as well as moving all payments for ambulatory care, including physicians’ fees, under a combined volume control and update mechanism.

ASCs and hospitals will use the same APCs, but hospitals will use a greater number of APCs due to the wider variety of services provided. Rates paid for each APC are based on the APCs relative weight. Additionally, if procedures require use of a device which costs more than fifty percent of the total APC reimbursement, the rate can be adjusted to equal the hospital rate on the device only, and remain at 65% of the HOPPS rate for the remainder of the reimbursement. ASCs will continue to receive payments for ancillary services such as devices and drugs. These new rules bring mixed results for ASCs, with those specializing in orthopedic procedures likely to benefit substantially under the new system, while ASCs specializing in gastroenterology procedures may see a significant revenue decrease of as much as 20% as ASC payments for gastroenterology and endoscopic procedures are currently paid between 82% and 84% of the HOPPS rate. For example, the 2007 ASC payment for diagnostic colonoscopy is $446, while the 2008 fully implemented payment is $373. The HOPPS conversion factor is expected to be the 2007 conversion factor multiplied by the 2008 hospital inpatient market basket increase (3.3%), resulting in an expected HOPPS conversion factor of approximately $63.69.

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