

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.¹ 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 75/25.¹ 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*.¹

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.¹ 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.¹

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.¹

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%,¹ as ASC payments for gastroenterology and endoscopic procedures are currently paid between 82% and 84% of the HOPPS rate.¹ For example, the 2007 ASC payment for diagnostic colonoscopy is \$446, while the 2008 fully implemented payment is \$373.¹ 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 \$63.69.¹

¹ "CMS Revises Payment Structure for Ambulatory Surgical Centers and Proposes Policy and Payment Changes for Hospital Outpatient," Centers for Medicare and Medicaid Services, July 16, 2007.

¹ "Ambulatory Surgery Center Payment Changes Proposed," McDermott Will & Emory, August 10, 2006, http://www.mwe.com/index.cfm/fuseaction/publications.nldetail/object_id/8cc0c68c-571b-4cf3-9b0a-ce476d0a1763.cfm, (Accessed 8/20/2007).

¹ "CMS Revises ASC Payment System," PYA Alert, pyapc.com, August 21, 2007.

¹ "Preparing for Medicare's APC System," By, Donn G. Duncan, M.D., *Healthcare Financial Management*, (July 1999), p. 42.

¹ Report to the Congress: Medicare Payment Policy, March 1999, p. 101.

¹ All information from "Overview of New Payment System," Ambulatory Surgery Center Association,

<http://www.ascassociation.org/medicarepayment/overview> (Accessed March 20, 2008).

¹ "Ambulatory Surgery Center Payment Changes Finalized," McDermott Will & Emory, July 19, 2007,

http://www.mwe.com/index.cfm/fuseaction/publications.nldetail/object_id/091f18f0-1c09-470f-b681-e0c2080eec75.cfm, (Accessed August 20, 2007).

¹ "CMS finalizes 2008 ASC Payments," American Gastroenterological Association, www.gastro.org/wmspage.cfm?parm1=3950, (Accessed August 17, 2007).

¹ "Ambulatory Surgery Center Payment Changes Proposed," McDermott Will & Emory, August 10, 2006,

http://www.mwe.com/index.cfm/fuseaction/publications.nldetail/object_id/8cc0c68c-571b-4cf3-9b0a-ce476d0a1763.cfm, (Accessed August 20, 2007).

¹ "CMS Published ASC Final Rule, 2008 OPPS Proposed Rule," By Sally Hardgrove & Mark Blessing, BKD, LLP, October 2007.



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