Program Memorandum Intermediaries

Department of Health and Human Services (DHHS)
HEALTH CARE FINANCING ADMINISTRATION (HCFA)

Transmittal A-01-71 **Date: MAY 25, 2001**

CHANGE REQUEST 1690

SUBJECT: Medicare Transitional Pass-Through Payments Under the Hospital Outpatient Prospective Payment System (OPPS) for Pacemakers and Neurostimulators

Background:

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) requires that we discontinue making pass-through payments for medical devices on an item-specific basis and that we instead pay for eligible devices that fall within a device category that we are to establish for this purpose. In accordance with this requirement, we established 96 categories for use in coding devices that are eligible for transitional pass-through payments. The initial categories were released to fiscal intermediaries (FIs) in Program Memorandum (PM), Transmittal A-01-41, Change Request 1610, on March 22, 2001. The HCFA Common Procedure Coding System (HCPCS) codes for device categories are effective for services furnished on or after April 1, 2001. The Outpatient Code Editor (OCE) has been updated to crosswalk HCPCS codes for individual devices to HCPCS codes for device categories. The HCPCS codes for device categories have been added to the April 1, 2001, outpatient PPS PRICER update. Hospitals have a 90-day transition period during which they may use either item-specific HCPCS codes or HCPCS codes for device categories to bill for transitional pass-through payments. For services furnished on or after July 1, 2001, only HCPCS codes for device categories will be accepted.

When we updated certain components of the hospital OPPS for calendar year (CY) 2001 (see the November 13, 2001, interim final rule with comment period (65 FR 67797)), we packaged previously uncounted medical device costs captured from revenue centers 274, 275 and 278 into certain ambulatory payment classification (APC) groups. The packaging of medical device costs into APC groups of procedures that involve neurostimulator leads, generators, receivers, and transmitters contributed to increases in CY 2001 payment rates for the associated procedures. Effective for services furnished on or after January 1, 2001, we reduced pass-through payments and new technology APC payments for eligible pacemakers and neurostimulator leads, generators, receivers, and transmitters by an amount equivalent to the increase in the APC rate for the procedure(s) performed in connection with the device. We posted a list of the APC codes subject to this reduction and the applicable reduction amount on the Medicare Learning Network and incorporated the applicable reductions in the OPPS PRICER for CY 2001.

Because pass-through payments, as of April 1, 2001, are based on HCPCS codes for device categories rather than on HCPCS codes for specific items, you now have to apply payment reductions for eligible pacemakers and neurostimulator leads, generators, receivers, and transmitters to HCPCS codes for device categories. Listed below are the HCPCS codes subject to a payment reduction that represents the cost of similar devices already included in the APC payment rate for associated procedures performed with the device. The amount to be subtracted from the transitional pass-through payment is shown for each affected HCPCS code.

For Item Billed Under HCPCS Code	Reduce Pass-Through Payment By
C1767	$ 643.73
C1778	$ 501.27
C1785	$2843.00
C1786	$2843.00
C1816	$ 537.83
C2619	$2843.00
C2620	$2843.00

Claims Processing Instructions:

The revised PRICER that includes the transitional pass-through payment reduction amounts applicable to HCPCS codes for device categories C1767, C1778, C1785, C1786, C1816, C2619, and C2620 is immediately available for download by intermediaries at:

MU00.@BF12390.OPPS.V20011.COBOL

Until the revised PRICER that includes the seven HCPCS codes for device categories subject to payment reduction is installed in your claims production environment, you may choose whichever of the following interim options that is cost effective for you to handle claims for transitional pass-through payments for eligible pacemakers, neurostimulator leads, generators, receivers, and transmitters:

Option 1: Create a utilization review edit screen (for example, a 9XX UR screen) to hold claims for transitional pass-through payments that use HCPCS code C1767, C1778, C1785, C1786, C1816, C2619, or C2620 for devices furnished on or after April 1, 2001. Hold these claims until you install the revised OPPS PRICER in your claims production system. If applicable, pay interest on clean claims delayed beyond statutory claims processing timeliness standards. These claims are not subject to claims processing timeliness standards until 30 days after the standard systems release of the revised OPPS PRICER. Within 60 days of the standard systems release of the revised OPPS PRICER adjust claims processed prior to installation of your medical review edit that were billed using HCPCS code C1767, C1778, C1785, C1786, C1816, C2619, or C2620.

Option 2: Continue to process claims for transitional pass-through payments using the OPPS PRICER currently installed in your claim production system. If you choose Option 2, within 60 days of the standard systems release of the revised OPPS PRICER, adjust claims that were billed using HCPCS code C1767, C1778, C1785, C1786, C1816, C2619, or C2620.

The *effective date* for this PM is April 1, 2001.

The *implementation date* for this PM is June 1, 2001.

These instructions should be implemented within your current operating budget.

This PM may be discarded after April 1, 2002.

Direct policy questions to Chuck Braver at (410) 786-6719.

Direct operations questions to Stuart Barranco at (410) 786-6152.