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# Program Memorandum Intermediaries

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Department of Health &  
Human Services (DHHS)  
Centers for Medicare &  
Medicaid Services (CMS)

Transmittal A-01-133

Date: NOVEMBER 20, 2001

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## CHANGE REQUEST 1940

**SUBJECT: Clarification of Payments Made to Hospital Outpatient Departments Under the Outpatient Prospective Payment System (OPPS)**

Under OPPS, packaged services are items and services that are considered to be an integral part of another service that is paid under the OPPS. No separate payment is made for packaged services, because the cost of these items is included in the APC payment for the service of which they are an integral part. For example, routine supplies, anesthesia, recovery room and most drugs are considered to be an integral part of a surgical procedure so payment for these items is packaged into the APC payment for the surgical procedure.

It has come to our attention that hospital outpatient claims containing services that would be packaged services if an Ambulatory Payment Classification (APC) were payable, are not being properly handled. The purpose of this Program Memorandum (PM) is to advise you how to handle packaged services on claims received from hospital outpatient departments (bill types 12X, 13X and 14X).

### **Claims Resulting in APC Payments**

If a claim contains services that result in an APC payment but also contains packaged services, separate payment for the packaged services is not made since payment is included in the APC. However, charges related to the packaged services are used for outlier and Transitional Corridor Payments (TOPs) as well as for future rate setting.

### **Claims Resulting in No APC Payments**

If the claim contains only services payable under cost reimbursement, such as ambulance, and services that would be packaged services if an APC were payable, then the packaged services are not separately payable. In addition, these charges for the packaged services are not used to calculate TOPs.

If the claim contains only services payable under a fee schedule, such as clinical diagnostic laboratory, and also contains services that would be packaged services if an APC were payable, the packaged services are not separately payable. In addition, the charges are not used to calculate TOPs.

If a claim contains services payable under cost reimbursement, services payable under a fee schedule, and services that would be packaged services if an APC were payable, the packaged services are not separately payable. In addition, the charges are not used to calculate TOPs payments.

### **Reminder**

During claims processing of bill types 12X, 13X, and 14X, cost reimbursement payments may not be made to hospital outpatient departments for any items or services except for:

- corneal tissue; and
- ambulance services;

Payment on a cost reimbursement basis no longer applies under the OPPS with the exception of those items previously listed.

**CMS Pub. 60A**

**The *effective date* for this PM is November 20, 2001.**

**The *implementation date* for this PM is November 20, 2001.**

**These instructions should be implemented within your current operating budget.**

**This PM may be discarded after December 1, 2002.**

**If you have any questions, contact Faith Ashby on 410-786-6145 or Antoinette Johnson on 410-786-9326.**