

Anticipated Medicare Changes for 2008

Written by Caryl Serbin, Surgery Consultants of America

The final ruling for the ASC Modernization Act will be released sometime later this year and will profoundly affect the future of ambulatory surgery center (ASC) reimbursement. Although the announcement has not yet been made, CMS has given us glimpses of the proposed reimbursement structure.

This new methodology is based on Hospital Outpatient Departments (HOPD) reimbursement and theoretically is planned to provide a more accurate relationship between ASC costs and reimbursement.

These **CMS PROPOSALS** include:

- Reimbursement rate based on 62% to 75% of HOPD rates
- Rate change to be phased in over a two year period
- Conversion from current nine reimbursement groups to 221 ambulatory payment classifications (APC).
- Addition of at least 750 new procedures to CMS' approved list for ASCs.
- Inclusion of implant reimbursement in the procedure's APC

These changes affect each medical specialty differently and it's important that you begin looking at how these changes will affect your ASC.

The table below is an estimate of the impact. It is based on reimbursement changes but also considers the number of Medicare age patients that most centers treat in a particular specialty. For instance, even though Orthopedics is planned to have a good increase, they have a lower census of Medicare age patients than Ophthalmology, which has a small decrease but a large census. Realize that this will change if the percentage of HOPD rates increases from the proposed 62%.

SPECIALTIES	REIMBURSEMENT CHANGES	IMPACT
Orthopedics	Positive	Moderate
GI	Negative	High
Podiatry	Positive	High
Ophthalmology	Negative	Moderate
Urology	Positive	High
ENT	Positive	Moderate
Pain Mgmt	Negative	Moderate
Gynecology	Positive	Low
General SX	Positive	High

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With these changes to occur in just a few short months, it is time to start evaluating which processes will be affected and begin planning solutions.

Case Costing

Case costing is key to all of the ASC's financial planning and is a necessary component in developing your fee schedule, budget and managed care negotiations. Any changes in reimbursement rates from a major payer like Medicare affects your profit margin. Many changes were already made to meet the Deficit Reduction Act this year, reducing rates of some procedure codes to the amount allowed if performed in a physician's office. Determining the cost of these cases for the 2007 reductions should have provided you with the necessary information to make an informed decision on whether it is practical to perform some of these procedures at the ASC.

Fee Schedule

The proposed 2008 rates will affect all procedures as CPTs will be assigned one of 221 APC codes with unique reimbursement values. Reevaluation of the procedures performed in your center will be necessary to determine if reimbursement will still cover cost. If you have a fee schedule based on a percentage of Medicare reimbursement, reassess to determine if the same percentage still results in an acceptable fee.

Also make your software vendor aware of the changes. APCs are three-digit numbers whereas groupers were single digits. Be sure your software company is prepared for this change and that they will have effected all necessary changes and additions so there will be a smooth transition at the end of the year.

Coding and Billing

Educate your billing personnel regarding the proposed changes. Although a lot of things that are scheduled to remain the same such as discount for multiple procedures, amount of deductible and coinsurance, there may be differences in how implants are billed and reimbursed.

Payment posters will definitely need to be alert as there will be a more APC groups and payment rates to audit for accuracy. Depending on results of the final proposal, if implant reimbursement is included in the procedure allowance, this may require splitting of the reimbursement amount for appropriate allocation to procedure and implant.

Budget

Your 2007 budget should already reflect current changes, i.e., deletions, additions, decreases. Begin early on the 2008 budget, performing case costing on procedures

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with predicted decreases and collecting all other necessary information except the revenue portion. When that becomes available, you will then be able to complete the budget in a timely manner.

Managed Care Negotiations

Most managed care companies are denying that they have plans underway for changing their reimbursement structure. However it is important that you check your current contracts for expiration dates and begin renegotiation early as it may take more time to agree upon a fair contract. Know your case cost and your new Medicare reimbursement rate before starting talks.

Most importantly, don't wait until the final announcement is made to begin planning. Start now so that you will have time to complete necessary preparations before the end of the year.

Caryl A. Serbin, RN, BSN, LHRM
President and Founder
Surgery Consultants of America, Inc.
Surgery Center Billing, LLC

12670 CREEKSIDE LN. SUITE 401
FORT MYERS, FL 33919

Toll Free: 1-866-889-7722



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