

modeling a variety of possible dollar amounts). In addition, the Panel recommended that we create no G codes as part of the effort to use multiple procedure claims for developing relative weights. If new codes are needed, the Panel suggested that our staff work with the American Medical Association's CPT Board to identify possible new codes. Please see section V.C of this proposed rule for our discussion of the use of multiple procedure claims for developing payment rates for procedures that use devices.

B. Other Changes Affecting the APCs

1. Limit on Variation of Costs of Services Classified Within an APC Group

Section 1833(t)(2) of the Act provides that the items and services within an APC group cannot be considered comparable with respect to the use of resources if the highest cost item or service within an APC group is more

than 2 times greater than the lowest cost item or service within the same group. However, the statute authorizes the Secretary to make exceptions to this limit on the variation of costs within each APC group in unusual cases such as low volume items and services. No exception may be made in the case of a drug or biological that has been designated as an orphan drug under section 526 of the Federal Food, Drug, and Cosmetic Act.

Taking into account the proposed APC changes discussed in relation to the APC Panel recommendations in section II.A.4 of this proposed rule and the use of 2002 claims data to calculate the median cost of procedures classified to APCs, we reviewed all the APCs to determine which of them would not meet the 2 times limit. We use the following criteria when deciding whether to make exceptions to the 2 times rule for affected APCs:

- Resource homogeneity.
- Clinical homogeneity.

- Hospital concentration.
- Frequency of service (volume).
- Opportunity for upcoding and code fragmentation.

For a detailed discussion of these criteria, refer to the April 7, 2000 final rule (65 FR 18457).

The following table contains APCs that we propose to exempt from the 2 times rule based on the criteria cited above. In cases in which a recommendation of the APC Panel appeared to result in or allow a violation of the 2 times rule, we generally accepted the Panel recommendation because Panel recommendations were based on explicit consideration of resource use, clinical homogeneity, hospital specialization, and the quality of the data used to determine payment rates.

The median cost for hospital outpatient services for these and all other APCs can be found at Web site: <http://www.cms.hhs.gov>.

TABLE 5.—TABLE OF APCs EXEMPTED FROM 2 TIMES RULE

Proposed rule APC	Description
0004	Level I Needle Biopsy/Aspiration Except Bone Marrow.
0018	Biopsy of Skin/Puncture of Lesion.
0019	Level I Excision/Biopsy.
0020	Level II Excision/Biopsy.
0032	Insertion of Central Venous/Arterial Catheter.
0043	Closed Treatment Fracture Finger/Toe/Trunk.
0046	Open/Percutaneous Treatment Fracture or Dislocation.
0048	Arthroplasty with Prosthesis.
0055	Level I Foot Musculoskeletal Procedures.
0058	Level I Strapping and Cast Application.
0060	Manipulation Therapy.
0072	Level II Endoscopy Upper Airway.
0073	Level III Endoscopy Upper Airway.
0080	Diagnostic Cardiac Catheterization.
0084	Level I Electrophysiologic Evaluation.
0097	Cardiac and Ambulatory Blood Pressure Monitoring.
0099	Electrocardiograms.
0105	Revision/Removal of Pacemakers, AICD, or Vascular.
0130	Level I Laparoscopy.
0147	Level II Sigmoidoscopy.
0148	Level I Anal/Rectal Procedure.
0155	Level II Anal/Rectal Procedure.
0164	Level I Urinary and Anal Procedures.
0165	Level III Urinary and Anal Procedures.
0192	Level IV Female Reproductive Proc.
0203	Level IV Nerve Injections
0204	Level I Nerve Injections.
0207	Level III Nerve Injections.
0213	Extended EEG Studies and Sleep Studies, Level I.
0214	Electroencephalogram.
0218	Level II Nerve and Muscle Tests.
0231	Level III Eye Tests & Treatments.
0233	Level II Anterior Segment Eye Procedures.
0235	Level I Posterior Segment Eye Procedures.
0239	Level II Repair and Plastic Eye Procedures.
0245	Level I Cataract Procedures without IOL Insert.
0252	Level II ENT Procedures.
0262	Plain Film of Teeth.
0266	Level II Diagnostic Ultrasound Except Vascular.
0274	Myelography.
0303	Treatment Device Construction.
0330	Dental Procedures.
0340	Minor Ancillary Procedures.