

costs of the more complex cases in which multiple procedures are performed and multiple devices are used. These commenters further requested that we change the status indicator of certain APCs from "T" to "S" in order to appropriately capture the cost of high cost devices when multiple procedures, each using devices, were billed. In addition to attempting to find a way to use multiple procedure claims, we also decided to examine our claims data to investigate whether our current payments for multiple procedures performed on the same date, each using high cost devices accurately captured the costs of the device and non-device portion of each procedure.

In order to do this, we reviewed claims from APCs that required high cost devices and from which we were unable to use the majority of claims to set a relative weight for the APC (for example, APCs for insertion of pacemakers, defibrillators, and neurostimulators). We determined the frequency with which other APCs were billed with the high cost device APCs. We then selected those claims where two APCs using high cost devices, or one APC using high cost devices and one high cost, non-device-requiring APC, were billed together with a frequency of more than 100 for the time period April 1, 2002 through September 30, 2002. This number was chosen in order to ensure that we had enough claims to determine reliable median costs. We included the APC combination 0081/0104 unintentionally and performed the analysis without realizing until after the data were developed that it had fewer than 100 claims and therefore should not have been selected. We expected that the data being used to set the 2004 weights would have a similar number of each combination to the number we found in the April 2002 to September 2002 claims. Review of Table 7, Combination APCs Used in Analysis, shows that even starting with 100 claims, we frequently had to determine median costs with very few claims. Additionally, Table 7 reveals that only a few combinations of two high cost device-requiring APCs are billed together 100 or more times. Six of the twelve combinations we analyzed (for example, claims for insertion of pacemakers and defibrillators) contained APC 0105 (Removal of pacemaker defibrillator), which is not a high cost, device-requiring APC. As the data show, APC 0105 is frequently found on multiple procedure claims, but because it is not a high cost device-requiring APC, when it is billed with

these APCs, the multiple procedure reductions are applied to APC 0105. Therefore, we have determined that the vast majority of claims for APCs, such as "insertion of Cardioverter Defibrillators," were not usable multiple procedure claims for the purpose of determining relative weights under our single claim process because they were billed with APC 0105.

After selecting the combinations to review, we determined the hospital costs associated with providing these "combination" procedures using the following methodology:

1. We selected claims where the two APCs of interest both appeared on the claim with the same date of service, and subjected them to the same trimming methodology we use for single procedure claims.

2. We then required that each APC appear on the claim only once. (For example, if two HCPCS codes from APC 0081 appeared on a claim with one HCPCS code from APC 0229, we did not use the claim. Many claims were discarded because of this requirement.)

3. From the claims in step two, we selected only those claims that included the device category codes for the devices required to perform the service. This is similar to our methodology for using single procedure claims where the procedure requires the use of a device with a category code (for example, for claims involving APCs 0222/0225, we used only claims that contained C codes for both a neurostimulator pulse generator and neuroelectrodes).

4. We ignored any line items for separately payable services under OPPS or the lab fee schedule and any line items with revenue centers containing HCPCS other than those in the APCs of interest.

5. At this point, we were left with claims where the only separately payable services were the line items for the HCPCS in the APCs of interest.

6. We packaged into the payable HCPCS codes all device category codes, all packaged HCPCS codes, and all revenue center codes without HCPCS.

7. We then determined the median cost for each APC pair using the remaining claims.

We believe the median cost estimate determined by this methodology should, if anything, overestimate the costs of the procedure combinations studied since all packaged line items were attributed to the APCs of interest unless they were clearly identified as being associated with other procedures. For example, if line items for a clinic visit and a medical or surgical supply revenue center appeared on the claim, we packaged the charges associated with

the revenue center entirely into the APCs of interest and not into the APC for clinic visits.

We also determined the median costs for these APCs using our usual single claims methodology (these medians are contained in Addendum A). We then determined a summed median cost of each APC pair using our current payment policy, which allows payment at 100 percent for the most expensive APC with "T" status indicator and 50 percent for each additional APC with "T" status indicator. That is, we added the median cost of the more expensive APC and 50 percent of the median cost of the less expensive APC as a proxy for the total median cost (and payment) using our current payment policy. We then compared this figure with the median cost for the "combination APC." (See Table 7.) We believe this comparison is an indicator of whether our current payment policy accurately pays for the costs of these APCs when they are billed together on the same date of service.

Our comparison reveals that, of the 12 "combination APCs" created, 7 had higher median costs than the median costs obtained with the multiple procedure methodology (we note that because APC 222 has a status indicator of "S", we did not apply the multiple procedure reduction for the APC 0222/0225 combination).

For three of these seven combinations, we consider the data unreliable because we were able to use very few claims to determine the "combination" median cost. Specifically, for APC combination 0085/0655, we were able to use only 37 claims; for APC combination 0105/0089, we were to use only 16 claims; and for APC combination 0105/0655, we were able to use only 12 claims. This is in distinction to the number of claims we used to determine the median costs for APCs 0655 and 0089 alone (1,170 and 303 respectively). Further, two of these combinations contain only one APC using high cost devices because APC 0105 does not require the use of high cost devices. This means that the multiple procedure reduction was applied to APC 0105. In such cases, we believe the reduction is appropriate because when a pacemaker or defibrillator is removed and replaced, the patient is only anesthetized once, the room only needs to be prepared once, and the time for replacement is usually less than the time for insertion due to the existence of a subcutaneous pocket.

Three other APC combinations, 0105/0090, 0105/0107, and 0105/0654, also contain only one APC requiring the use of high cost devices and therefore