

should not pose the problem of underpayment due to the multiple procedure reduction, which was applied to APC 0105. Furthermore, in these three cases, the difference in median costs between the combination median and the median determined by our multiple procedure reduction methodology was, in our view, insignificant (all much less than 5 percent).

For APC combination 0222/0225, the difference in median cost could be considered significant at slightly under 5 percent, but only 74 claims were used to determine the combination median. Because we used approximately 600 claims to determine the median costs for APCs 0222 and APC 0225 individually, we consider the combination median cost comparatively unreliable.

Lastly, we note that for the other five combinations, our current payment policy pays more than the "combination" payment methodology.

Based on this comparison we considered several options for payment of these APCs when billed together:

1. Maintain our current payment policy.
2. Change the status indicators of certain APCs requiring the use of high cost devices to "S."
3. Create "combination APCs" with relative weights calculated using the methodology described above in order to make a single payment when the two APCs in the combination are billed together.

The third option need not result in creation of new HCPCS codes and APCs for hospitals to report. Instead, we could make changes in the logic of the outpatient code editor (OCE) so that when hospitals bill the two APCs in a combination, the OCE would "map" the payment to a single amount rather than paying the more expensive APC at 100 percent and the less expensive at 50 percent. The following is an example of how combination APCs might work: If a unit of a code in APC 0081 was billed with a unit of a code in APC 0104 on the same date, the multiple procedure discount would not be applied, so payment would no longer be made at 100 percent of the payment for APC 0104 (the highest paid APC in the pair) and 50 percent of the payment for APC 0081. Instead, if we were to implement combination APCs for this pair, the combination of codes would be mapped to a new "combination" APC, and we would make a single payment for both services. The payment rate for the new "combination" APC would be based upon a scaled weight calculated from the median cost for all claims containing one unit of a code from APC

0081 and one unit of a code from APC 0104 (using the methodology described above). If either of the APCs were billed without the partner APC for that established "combination" APC, then the APC would map to the current APC that contains the code.

Based on our analysis, we are proposing option one: Maintaining our current payment policy. We believe that our analysis shows that our current payments for these APCs adequately reflect the costs of the procedures, even when billed in combination.

We note that only a few APCs requiring the use of high cost devices are billed in combination. Thus, we do not believe there are compelling reasons to establish a new, or special, payment policy in situations where two APCs requiring high cost devices are billed together fewer than 100 times. Even when APCs are billed together, we have shown that frequently the data are unreliable due to the low number of claims we can actually use to determine the total median cost of the "combined" procedure. Furthermore, even where the number of usable claims is large enough to give us some assurance that the data are reliable, the median costs as determined by the two methodologies do not support any changes in our current payment policy. In some instances, adoption of the new payment policy would actually reduce payments for these services, and, in most other cases, any increase in payments would be negligible.

One commenter has brought to our attention the fact that, rarely, correct coding does not allow hospitals to bill for two APCs requiring high cost devices. One example is APC 0082 (Coronary Atherectomy) and APC 0104 (Transcatheter Stent Placement) because atherectomy is considered to be a component of stent placement when both are performed together. In those cases, we would expect hospitals to bill for all the devices used to accomplish the atherectomy and the stent placement. To the extent that both were performed, the median cost of stent placement should reflect the cost of performing an atherectomy. Therefore, we do not believe there is a compelling reason to create new payment policy for these rare situations. (See also the discussion below on "case rate" purchasing by hospitals.)

It could be reasoned that our analysis of the costs of "combined" procedures is faulty because hospital coding and billing inaccuracies may apply to these claims as well as single procedure claims (and may even be magnified). However, that reasoning would undercut, and be contrary to, the

repeated comments that we need to use more multiple procedure claims to set relative weights because single procedure claims do not capture the true costs of complex procedures or episodes of care. Our investigation was performed precisely to address these concerns, determine how we might use multiple procedure claims, and what effect use of those claims would have on payment rates. Even with use of a methodology that overestimated the costs of combination procedures, we were unable to show that the median costs (and payments) using our current payment policy do not accurately reflect the costs for performing these procedures.

Other possible factors affecting our analysis include charge compression and/or inadequate charges for these procedures or the devices associated with them. However, it is not possible for us to know the magnitude of how charge compression or inadequate charges might affect costs or what methodologic or payment adjustment would be appropriate to address the problem. Furthermore, we point out that charge compression and inadequate charges should affect our cost data for these APCs when billed alone and when these APCs are billed in combination. It is unknown whether the effects would be similar in each instance but we have no reason to believe they would be different. Therefore, we do not believe that adjusting for charge compression or inadequate charges would change the "relative" median costs of the APCs when billed alone or in combination. Finally, we believe that the median costs of the APCs billed in combination support the concept that economies of scale are achieved in those cases. There are at least two reasons why this might occur: First, many hospitals purchase devices on a case rate or capitated basis, which means that the hospitals' device cost "per case" is fixed (with quarterly adjustments made based on volume and actual device use in the previous quarter(s)). For example, inserting a stent or cardioverter defibrillator requires the use of multiple devices in addition to the stent or defibrillator. A hospital may agree to pay \$XXXX "per case" for all the devices used to insert a stent (for example, guidewires, introducers, catheters, rotabators etc.). This "per case" payment means that the hospital has the same cost irrespective of whether a rotator, two catheters, or four catheters were used for a specific patient. Second, even if hospitals purchase devices on a "per device" basis, it is possible that no extra catheters, guidewires, and/or