

because hospitals are not required to put dates of service for line items with only a revenue center but no HCPCS code, we will not be able to perform this analysis routinely for each claim. Therefore, the claims from hospitals that do provide those dates are more likely to be used for weight-setting than claims of hospitals that do not provide those dates on the claim. We are unable to determine what impact, if any, this methodology has on the weights for the services and we solicit comments on the approach.

We invite comments on whether we should require hospitals to enter a line item date of service for every OPPS charge. We are interested in receiving comments regarding the implications the policy would have for hospitals, including potential obstacles and estimates on the amount of time that would be required to implement this change.

3. Adjustment of Median Costs for CY 2003 OPPS

The relative weights of several APCs, especially APCs requiring the use of high cost devices, that were developed for the 2003 OPPS fee schedule, using claims data from April 1, 2001 to March 31, 2002, showed a significant decrease from the relative weights that were established for the 2002 OPPS fee schedule. The 2002 OPPS relative weights were based on both claims data and packaging of 75 percent of the manufacturer submitted costs for devices into the APC cost. Using our April 1, 2001, through March 31, 2002 claims data resulted in significant decreases in payment for many blood products and separately payable drugs. In order to minimize any beneficiary access problems related to the reduction in payment for blood products, separately payable drugs, and certain device-related APCs, we created a limit for any payment reductions as follows:

Device and Procedural APCs

For APCs requiring the use of one or more devices receiving pass-through payments, we determined the median cost of the APC using only claims that contained device category "C" codes. For selected APCs, we used only claims containing the device "C" code specific to the service furnished (for example, we used only claims containing the "C" codes for cardioverter defibrillators to

determine the median cost for the APC for inserting cardioverter defibrillators).

We then compared the median costs established for the 2002 OPPS fee schedule and the median costs based on our April 1, 2001, through March 31, 2002 claims data and limited decreases in median costs (from the 2002 fee schedule) by 15 percent plus half the amount of any reduction beyond 15 percent (for example, if the claims data showed the median cost of an APC decreased 45 percent, the amount of allowed reduction would have been 15 percent + $\frac{1}{2} \times (45 \text{ percent} - 15 \text{ percent}) = 30 \text{ percent}$). For a few APCs where device costs accounted for more than 80 percent of the total cost of the APC, we also incorporated external data into our calculation of the median cost.

Blood and Blood Products

We limited reductions in median costs to 11 percent as compared to the 2002 median costs so that the reduction in payments, after other adjustments, for these items would generally not exceed 15 percent.

Separately Payable Drugs

We noted in the November 1, 2002 final rule that the reason our April 1, 2001, through March 31, 2002 claims data resulted in lower median costs for many drugs was that the payment rates for 2002 were based on 95 percent of average wholesale price (AWP) as required by law for pass-through drugs. We believed, and continue to believe, that the acquisition cost for many drugs is considerably less than 95 percent of AWP. However, we limited reductions in median costs for separately payable drugs and for administration of packaged drugs using the same methodology as described above for device and procedural APCs.

Procedural and Device Intense APCs for 2004 OPPS

Comparison of procedural APC medians for 2004 OPPS to adjusted medians for 2003 OPPS. Our analysis of the April 1, 2002, through December 31, 2002 claims data, which is the basis for the proposed median costs for the 2004 OPPS, reveals a distribution of changes in median costs that are not unusual. Compared to the adjusted median costs used for the 2003 OPPS, most of the median cost increases and decreases were for nondevice-related APCs. Very

few device-related APCs saw their median costs decrease significantly. We also note that, with a few exceptions, the median cost increases and decreases were not unusually distributed; we believe that the fluctuations should not be unexpected in a new payment system. For example, the cost of providing items and services changes yearly and, in a new payment system, the accuracy of coding services will improve year to year. We also compared the actual median costs from the April 1, 2001 through March 31, 2002 claims data with the actual median costs from the April 1, 2002 through December 31, 2002 claims data. Given the level of consistency we see in our claims data, we believe that adjustment of median costs last year may have resulted in payment amounts for some APCs that were too high.

The medians we propose to use to set weights for the 2004 OPPS for APCs in Table 8 have decreased more than 10 percent in median cost when compared to the adjusted median costs for 2003 OPPS. For reference, we also provide the actual median cost from the claims data we used to set 2003 OPPS payment rates. Some changes appear to be the result of normal fluctuation in the costs of services. In other cases the actual median cost in the April through December 2002 data (the 2004 OPPS medians) is consistent with the actual median cost in the April 1, 2001 through March 31, 2002 data (used for the 2003 OPPS medians), but decreased significantly only in comparison to the adjusted 2001 medians used for 2003 OPPS. In general, where there is consistency between the 2001 (2003 OPPS) and 2002 (2004 OPPS) unadjusted medians or where a change appears to represent normal fluctuations in costs, and we know of no special circumstances that would cause us to believe that there are problems in the claims data, we conclude that the claims data accurately represent the cost of the service. After reviewing the data, we believe that there is no sound basis for making an across-the-board adjustment to our April through December 2002 median costs, notwithstanding that using the unadjusted 2004 median may result in a reduced payment compared to the payment that was based on adjusted medians under 2003 OPPS.