

TABLE 13.—LIST OF CURRENT PASS-THROUGH DEVICE CATEGORIES WITH PROPOSED EXPIRATION DATES—Continued

	HCPSC codes	Category long descriptor	Date(s) populated	Expiration date
.....	C1884	Embolization protective system	1/1/03	12/31/04
.....	C2614	Probe, percutaneous lumbar discectomy	1/1/03	12/31/04
.....	C2632	Brachytherapy solution, iodine-125, per mCi	1/1/03	12/31/04
.....	C1814	Retinal tamponade device, silicone oil	4/1/03	12/31/05
.....	C1818	Integrated keratoprosthesis	7/1/03	12/31/05

The methodology that we propose to use to package pass-through device costs is consistent with the packaging methodology that we describe in section II.B.5. For the codes in APCs displayed in Table 10, we propose to use only those claims on which the hospital included the “C” code and to discard the claims on which no “C” code is billed.

We propose to limit our analysis to the claims with “C” codes because we are not confident that the claims for the relevant APCs include the charges for the devices unless the “C” codes are specifically billed.

To calculate the total cost for a service on a per-service basis, we included all charges billed with the service in a revenue center in addition to packaged HCPCS codes with status indicator “N.” We also packaged the costs of devices that we propose would no longer be eligible for pass-through payment in 2004 into the HCPCS codes with which the devices were billed.

B. Expiration of Transitional Pass-Through Payments in CY 2004

In the November 1, 2002 final rule, we established a policy for payment of devices included in pass-through categories that are due to expire (67 FR 66763). We stated that we would package the costs of the devices no longer eligible for pass-through payments in 2003 into the costs of the procedures with which the devices were billed in 2001. There were very few exceptions to the policy (for example, brachytherapy seed for other than prostate brachytherapy), and we propose to continue this policy. Therefore, we propose that the payment for the devices that populate C1765 and C2618, which we propose will cease to be eligible for pass-through payment on January 1, 2004, would be made as part of the payment for the APCs with which they are billed.

C. Other Policy Issues Relating to Pass-Through Device Categories

Reducing Transitional Pass-Through Payments To Offset Costs Packaged Into APC Groups

In the November 30, 2001 final rule, we explained the methodology we used to estimate the portion of each APC rate that could reasonably be attributed to the cost of associated devices that are eligible for pass-through payments (66 FR 59904). Beginning with the implementation of the 2002 OPPS update (April 1, 2002), we deduct from the pass-through payments for the identified devices an amount that offsets the portion of the APC payment amount that we determine is associated with the device, as required by section 1833(t)(6)(D)(ii) of the Act. In the November 1, 2002 final rule, we published the applicable offset amounts for 2003 (67 FR 66801).

For the 2002 and 2003 OPPS updates, we estimated the portion of each APC rate that could reasonably be attributed to the cost of an associated pass-through device that is eligible for pass-through payment using claims data from the period used for recalibration of the APC rates. Using these claims, we calculated a median cost for every APC without packaging the costs of associated “C” codes for device categories that were billed with the APC. We then calculated a median cost for every APC with the costs of associated device category “C” codes that were billed with the APC packaged into the median. Comparing the median APC cost minus device packaging to the median APC cost including device packaging enables us to determine the percentage of the median APC cost that is attributable to associated pass-through devices. By applying these percentages to the median APC costs, we determined the applicable offset amount. We included any APC on the offset list for which the device cost was at least 1 percent of the APC’s cost.

As we discussed in our November 1, 2002 final rule (67 FR 66801), the listed offsets are those that may potentially be used because we do not know which

procedures would be billed with newly created categories.

After publication of the November 1, 2002 final rule, we received a comment indicating that in some cases it may be inappropriate to apply an offset to a new device category because the device category is not replacing any device whose costs have been packaged into the APC. We agree with this comment. Therefore, we propose to modify our policy for applying offsets. Specifically, we would apply an offset to a new device category only when we can determine that an APC contains costs associated with the device. At this time, we propose to continue our existing methodology for determining the offset amount, described above. However, we solicit comments for alternative methodologies for determining the offset amounts that potentially could be applied to the payment amounts for new device categories.

We can use this methodology to establish the device offset amounts for the 2004 OPPS because we are using 2002 claims on which device codes are reported. However, for the 2005 update to OPPS, we would use 2003 claims that would not include device coding. Thus, for 2005, we are considering whether or not to use the charges from lines on the claim having no HCPCS code but have charges under revenue codes 272, 275, 276, 278, 279, 280, 289, and 624 as proxies for the device charges that would have been billed with HCPCS codes for these devices in previous years. We are also considering the reinstitution of the “C” codes for expired device categories and requiring hospitals to use one or more newly created “C” codes for identification of devices and costs on claims. See section VI.B of this proposed rule for further discussion.

We propose to review each new device category on a case-by-case basis to determine whether device costs associated with the new category are packaged into the existing APC structure.

We reviewed the device categories eligible for continuing pass-through payment in 2004 to determine whether the costs associated with the device