

- B. Drugs, Biologicals, and Radiopharmaceuticals Without Pass-Through Status
 - 1. Background
 - 2. Criteria for Packaging Payment for Drugs, Biologicals, and Radiopharmaceuticals
 - 3. Payment for Drugs, Biologicals, and Radiopharmaceuticals That Are Not Packaged
 - 4. Payment for Drug Administration
 - 5. Generic Drugs and Radiopharmaceuticals
 - 6. Orphan Drugs
 - 7. Vaccines
 - 8. Blood and Blood Products
 - 9. Intravenous Immune Globulin
 - 10. Payment for Split Unit of Blood
 - 11. Other Issues
- VII. Wage Index Changes for CY 2004
- VIII. Copayment for CY 2004
- IX. Conversion Factor Update for CY 2004
- X. Outlier Policy and Elimination of Transitional Corridor Payments for CY 2004
 - A. Outlier Policy for CY 2004
 - B. Elimination of Transitional Corridor Payments for CY 2004
- XI. Other Policy Decisions and Changes
 - A. Hospital Coding for Evaluation and Management (E/M) Services
 - B. Status Indicators and Issues Related to OCE Editing
 - C. Observation Services
 - D. Procedures That Will Be Paid Only As Inpatient Procedures
 - E. Partial Hospitalization Payment Methodology
 - 1. Background
 - 2. PHP APC Update for CY 2004
 - 3. Outlier Payments to CMHCs
- XII. General Data, Billing, and Coding Issues
- XIII. Provisions of the Final Rule With Comment Period for 2004
 - A. Changes Required by Statute
 - B. Additional Changes
 - C. Major Changes From the Proposed Rule
- XIV. Collection of Information Requirements
- XV. Response to Public Comments
- XVI. Regulatory Impact Analysis
 - A. General
 - B. Changes in This Final Rule
 - C. Limitations of Our Analysis
 - D. Estimated Impacts of This Final Rule on Hospitals
 - E. Projected Distribution of Outlier Payments
 - F. Estimated Impacts of This Final Rule on Beneficiaries

Addenda

- Addendum A—List of Ambulatory Payment Classifications (APCs) with Status Indicators, Relative Weights, Payment Rates, and Copayment Amounts
- Addendum B—Payment Status by HCPCS Code, and Related Information
- Addendum C—Hospital Outpatient Payment for Procedures by APC: Displayed on Web Site Only
- Addendum D—Payment Status Indicators for the Hospital Outpatient Prospective Payment System
- Addendum E—CPT Codes That Would Be Paid Only As Inpatient Procedures
- Addendum H—Wage Index for Urban Areas

- Addendum I—Wage Index for Rural Areas
- Addendum J—Wage Index for Hospitals That Are Reclassified
- Addendum L—Packaged Nonchemotherapy Infusion Drugs
- Addendum M—Separately Paid Nonchemotherapy Infusion Drugs
- Addendum N—Packaged Chemotherapy Drugs Other Than Infusion
- Addendum O—Separately Paid Chemotherapy Drugs Other Than Infusion
- Addendum P—Packaged Chemotherapy Drugs Infusion Only
- Addendum Q—Separately Paid Chemotherapy Drugs Infusion Only

Alphabetical List of Acronyms Appearing in This Final Rule With Comment Period

- ACEP American College of Emergency Physicians
- AHA American Hospital Association
- AHIMA American Health Information Management Association
- AMA American Medical Association
- APC Ambulatory payment classification
- ASC Ambulatory surgical center
- AWP Average wholesale price
- BBA Balanced Budget Act of 1997
- BIPA Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000
- BBRA Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999
- CAH Critical access hospital
- CCR Cost center specific cost-to-charge ratio
- CMHC Community mental health center
- CMS Centers for Medicare & Medicaid Services (Formerly known as the Health Care Financing Administration)
- CPT [Physicians'] Current Procedural Terminology, Fourth Edition, 2002, copyrighted by the American Medical Association
- CY Calendar year
- DMEPOS Durable medical equipment, prosthetics, orthotics, and supplies
- DRG Diagnosis-related group
- DSH Disproportionate Share Hospital
- EACH Essential Access Community Hospital
- E/M Evaluation and management
- ESRD End-stage renal disease
- FACA Federal Advisory Committee Act
- FDA Food and Drug Administration
- FI Fiscal intermediary
- FSS Federal Supply Schedule
- FY Federal fiscal year
- HCPCS Healthcare Common Procedure Coding System
- HCRIS Hospital Cost Report Information System
- HHA Home health agency
- HIPAA Health Insurance Portability and Accountability Act of 1996
- ICD-9-CM International Classification of Diseases, Ninth Edition, Clinical Modification
- IME Indirect Medical Education
- IPPS (Hospital) inpatient prospective payment system
- IVIG Intravenous Immune Globulin
- LTC Long Term Care
- MedPAC Medicare Payment Advisory Commission
- MDH Medicare Dependent Hospital

- MSA Metropolitan statistical area
- NECMA New England County Metropolitan Area
- OCE Outpatient code editor
- OMB Office of Management and Budget
- OPD (Hospital) outpatient department
- OPPS (Hospital) outpatient prospective payment system
- PHP Partial hospitalization program
- PM Program memorandum
- PPS Prospective payment system
- PPV Pneumococcal pneumonia (virus)
- PRA Paperwork Reduction Act
- RFA Regulatory Flexibility Act
- RRC Rural Referral Center
- SBA Small Business Administration
- SCH Sole Community Hospital
- SDP Single drug pricer
- SI Status Indicator
- TEFRA Tax Equity and Fiscal Responsibility Act
- TOPS Transitional outpatient payments
- USPDI United States Pharmacopoeia Drug Information

I. Background

A. Authority for the Outpatient Prospective Payment System

When the Medicare statute was originally enacted, Medicare payment for hospital outpatient services was based on hospital-specific costs. In an effort to ensure that Medicare and its beneficiaries pay appropriately for services and to encourage more efficient delivery of care, the Congress mandated replacement of the cost-based payment methodology with a prospective payment system (PPS). The Balanced Budget Act of 1997 (BBA) (Pub. L. 105–33), enacted on August 5, 1997, added section 1833(t) to the Social Security Act (the Act) authorizing implementation of a PPS for hospital outpatient services. The Balanced Budget Refinement Act of 1999 (BBRA) (Pub. L. 106–113), enacted on November 29, 1999, made major changes that affected the hospital outpatient PPS (OPPS). The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) (Pub. L. 106–554), enacted on December 21, 2000, made further changes in the OPPS. The OPPS was first implemented for services furnished on or after August 1, 2000.

B. Summary of Rulemaking for the Outpatient Prospective Payment System

- On September 8, 1998, we published a proposed rule (63 FR 47552) to establish in regulations a PPS for hospital outpatient services, to eliminate the formula-driven overpayment for certain hospital outpatient services, and to extend reductions in payment for costs of hospital outpatient services.
- On April 7, 2000, we published a final rule with comment period (65 FR