

amount as \$448.74. As a result, we are assigning G0288 to new technology service APC 1506, for a payment rate of \$450.00. We are continuing the assignment of G0288 to a new technology APC because this is still a relatively new procedure and we still have concerns regarding our cost data.

We agree that this can be used for treatment planning prior to surgery and for post-surgical monitoring and have revised the code descriptor to clarify this point. The descriptor for this code is revised as follows: G0288 Reconstruction, computed tomographic angiography of aorta for preoperative planning and evaluation post vascular surgery. We assume that hospitals providing this service will abide by the FDA labeling requirements for equipment used in providing this service.

3. Revision of Cost Bands and Payment Amounts for New Technology APCs

We proposed to implement a comprehensive restructuring of all the new technology APCs. First, the cost intervals in the current new technology APCs are inconsistent, ranging from \$50 to \$1,500. Secondly, as the number of procedures assigned to new technology APCs increases, we believe that narrower cost bands are required to avoid inaccurate payment for new technology services. The increased number of new technology APCs that would result from narrowing the cost bands cannot be accommodated within the current sequence of available APC numbers. Therefore, we proposed to dedicate two new series of APC numbers to the restructured new technology APCs, which would allow us to narrow the cost bands and also afford us flexibility in creating additional bands as future needs may dictate.

We proposed to establish cost bands from \$0 to \$100 in increments of \$50, from \$100 through \$2,000 in intervals of \$100, and from \$2,000 through \$6,000 in intervals of \$500. We believe that these intervals would allow us to price new technology services more appropriately and consistently. We also propose to retain two parallel sets of new technology APCs, one with status indicator "S" and the other with status indicator "T." We solicited comments on the hierarchy of cost levels of the restructured new technology APCs.

The final list of restructured new technology APCs is in Addendum A.

We received a number of comments in support of this proposal to restructure the new technology APC bands. Therefore, we will finalize our proposal.

4. Creation of APCs for Combinations of Device Procedures

In the August 12, 2003 proposed rule, we discussed data development that we had undertaken to create median costs for combinations of HCPCS codes in different APCs that we believed were frequently performed on the same day. We focused our work on pairs of APCs, one of which contained a service that required an expensive device. See 68 FR 47979 for a complete description of the data development. We undertook this activity to see if creating larger classification groups of this type might increase the number of multiple procedure claims that we could use to set payment rates for these services. We also thought that the analysis might yield useful information regarding the appropriateness of the multiple procedure reduction for combinations of services that include at least one APC with an expensive device, that are commonly performed on the same date. In many cases, we found that the combination APC medians closely approximated the median that results under the current policy (that is, the sum of single medians for each APC, reducing the median for the lower cost procedure by 50 percent). In other cases, the data revealed combination APC median costs that were considerably higher or lower than under our current policy.

We concluded in the proposed rule that the results of the study provided no compelling reason to change our payment policy. We asked for comment on all aspects of the methodology, analysis, and payment options. We also asked for discussion of how we could use more multiple procedure claims were we not to create combination APCs and for an explanation of why external data should be used in lieu of our single or multiple procedure claims data to set median costs for APCs with large device costs. However, we did not propose to create combination APCs or to make payment based on the combination APC medians for 2004.

We received only a few comments on the combination APC methodology and these were in the context of why we should not apply multiple procedure reductions to specific combinations of APCs. See the discussion of multiple procedure reduction in V.D.2 for a summary of these comments and our responses.

III. Recalibration of APC Weights for CY 2004

Section 1833(t)(9)(A) of the Act requires that the Secretary review and revise the relative payment weights for

APCs at least annually, beginning in 2001. In the April 7, 2000 final rule (65 FR 18482), we explained in detail how we calculated the relative payment weights that were implemented on August 1, 2000 for each APC group. Except for some reweighting due to APC changes, these relative weights continued to be in effect for CY 2001. (See the November 13, 2000 interim final rule (65 FR 67824 to 67827)).

To recalibrate the relative APC weights for services furnished on or after January 1, 2004 and before January 1, 2005, we used the same basic methodology that we described in the April 7, 2000 final rule. That is, we recalibrated the weights based on claims and cost report data for outpatient services. We used the most recent available data to construct the database for calculating APC group weights. For the purpose of recalibrating APC relative weights for CY 2004, the most recent available claims data are the approximately 127 million final action claims for hospital outpatient department services furnished on or after April 1, 2002 and before January 1, 2003. We eliminated 2.6 million claims for bill types other than OPPS bill types and claims for services furnished in Maryland, Guam, and the Virgin Islands. We matched the remaining claims that were paid under the OPPS to the most recent cost report filed by the individual hospitals represented in our claims data. We were left with about 75 million claims for which we could identify cost report data. The APC relative weights continue to be based on the median hospital costs for services in the APC groups.

A. Data Issues

1. Period of Claims Data Used

We used claims for the period beginning April 1, 2002 through and including December 31, 2002 as the basis for the CY 2004 OPPS. The statute requires that we take into account new cost data and other relevant information and factors in reviewing and revising the weights, and we believe that this period will give us the most recent costs. We chose not to include the claims for the period beginning on January 1, 2002 through March 31, 2002 because they were used to set the payment rates for the 2003 OPPS and we believe that the most recent 9 months of claims data will result in payment rates that are most representative of the current relative costs of hospital outpatient services.

Comment: Some commenters supported our use of claims for this 9-month period for setting the weights for