

multiple procedure reduction to APCs with high device costs. We hope to develop these possible approaches and discuss them with the APC Panel at its winter meeting.

*Prosthetic Urology (APCs 0385 and 0386)*

**Comment:** Commenters said that APCs 0385 and 0386 should be changed from SI=S to SI=T and that the APC Panel agreed and recommended these changes in its August 22, 2003 meeting. The commenters indicated that when a penile prosthesis and a urinary sphincter are both implanted at the same time, while there is some cost efficiency (for example, OR time, recovery room time, drugs, supplies), the cost of the prostheses are such a large part of the cost of the APC that the reduction of the second APC by 50 percent results in less than cost being paid.

**Response:** For the 2004 OPPS, we have changed the SI for these APCs from T to S, so that when both the prosthesis and sphincter are implanted on the same date, the multiple procedure reduction will not apply to the second device. These APCs each contain a combination of penile prostheses and sphincters. Our data analysis shows that it is not a rare occurrence for both to be implanted on the same day and that each APC has a device percentage in excess of 60 percent. For these reasons, we have changed the SI for these APCs to "S" for 2004.

*Electrophysiology APCs (APCs 0085, 0086 and 0087)*

**Comment:** Commenters said that APCs 0085, 0086, and 0087 should not be subject to the multiple procedure reduction because the devices used in these procedures are not less costly when the second procedure is done on the same day. Commenters said that these procedures have become so advanced that they now are commonly done on the same day and that the multiple procedure reduction significantly reduces the payments below what they were paid when they were done on subsequent days. A commenter suggested that we should create a combination APC for APCs 0085, 0086 and 0087 or for APCs 0085 and 0086 since these are often performed on the same day and the commenter believes that the multiple procedure reduction improperly reduces payment for them.

**Response:** We have not changed the SI for these APCs because we do not believe that such a change is warranted. Although devices are integral to these APCs, the device portion of the median

is not very significant. Each has a device percent lower than 35 percent (APC 0085 = 25.61 percent, APC 0086 = 34.77 percent, APC 0087 = 30 percent). Moreover, we believe that there is efficiency in performing these procedures on the same day in the outpatient setting, which is why hospital practice has changed. Therefore, we are retaining these procedures as SI=T for 2004.

*Implantation or Revision of Pain Management Catheter; Implantation of Drug Infusion Device (APCs 0223 and 0227)*

**Comment:** A commenter indicated that the same rationale that applies to implantation of neurostimulators (discussed immediately preceding) applies to APCs 0223 and 0227 and that therefore, the multiple procedure reduction should not apply.

**Response:** We are not convinced by the comment that it would be appropriate to change the SI for APCs 0223 and 0227 from "T" to "S". We believe that there are economies of scale that cause these procedures to allow for appropriate payment when they are performed with other procedures.

*Left Ventricular Leads (APCs 0105, 1547 and 1550)*

**Comment:** A commenter indicated that placement of a Left ventricular lead (CPT code 33224, 33225, and 33226, APCs 0105, 1547 and 1550 respectively) should not be subjected to the multiple procedure reduction.

**Response:** We have reviewed the codes contained in these APCs and we are not convinced that it would be appropriate to change the SI for these APCs.

**VI. Payment for Drugs, Biologicals, Radiopharmaceutical Agents, Blood, and Blood Products**

*A. Pass-Through Drugs and Biologicals*

In the proposed rule, we expressed concern about the extent to which Medicare pays more for pass-through drugs than other payers and more than the market-based price of drugs. To address this problem of how to pay appropriately for drugs that are priced using the AWP, we are developing regulations that would revise the current payment methodology for Part B covered drugs paid under section 1842(o) of the Act. We proposed to adopt and apply the provisions of the final AWP rule to establish the AWP of pass-through drugs payable under the OPPS. If implementation of the AWP final rule necessitates mid-year changes in the 2004 OPPS payment rates for

pass-through drugs, we proposed to make those changes on a prospective payment basis through our regular OPPS Transmittal process and PRICER quarterly updates. We further proposed to issue instructions by program memorandum regarding implementation of the provisions of the AWP final rule to set payment rates for pass-through drugs under the OPPS.

We stated that if the AWP final rule is not issued in time to permit us to apply its provisions to price pass-through drugs furnished on or after January 1, 2004, we proposed to use 95 percent of the AWP listed in the most recent quarterly update of the Single Drug Pricer (SDP). If a drug with pass-through status is not included in the SDP, we proposed to forward to the SDP contractor the AWP information submitted as part of the pass-through application for calculation of an allowed payment amount.

Because the January SDP would not be available in time, we proposed to announce the January 1, 2004 prices for pass-through drugs in our January 2004 OPPS implementing instructions to fiscal intermediaries and in the January 2004 OPPS PRICER rather than in the 2004 final rule, which is to be published in the **Federal Register** by November 1, 2003. We further proposed to update the AWP for pass-through drugs paid under the OPPS on a quarterly basis in accordance with the quarterly updates of the SDP. The updated rates for pass-through drugs and biologicals would also be issued through our quarterly OPPS program memoranda and PRICER updates.

**Comment:** A national hospital association supported our proposal to use the SDP to determine the payment amount for pass-through drugs and biologicals. However, the same commenter expressed concern about not having accurate 2004 information on AWP until after the 2004 OPPS is implemented, which would make it impossible to predict pass-through spending and not give hospitals enough time to update their billing systems. The commenter also opposed our proposal to update the AWP for pass-through drugs on a quarterly basis because it would result in increased confusion and burden on hospitals to make quarterly price changes and could result in CMS having to make quarterly adjustments to the pass-through pool to recalculate the relative payment weights for all APCs.

A provider expressed reservations about the impact of the AWP rule, which could precipitate a shift in care from physicians' offices to hospitals. This commenter recommended that we determine pass-through payment