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Hospital-based vs. Freestanding Cancer Centers

by Roberta Buell, M.B.A.

Q: *We are currently billing Medicare Part A as a hospital-based cancer center. Is it possible to convert and bill Part B as a freestanding center (preferably before ambulatory payment classifications become effective)?*

A: According to the *Regional Office Manual*, section 6860, a cancer center can bill as a freestanding center if the following components are in place:

- *Your cancer center is licensed as a separate entity apart from the hospital.* If not, your cancer center will have to become a corporation or some other structure that is independent from the hospital.
- *Your cancer center is subject to its own bylaws, rules, and regulations apart from the hospital.* For example, your center has its own set of rules required by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).
- *The center's buildings are either independently owned or leased at fair market rent from the hospital.* There is no rule against freestanding cancer centers renting from the hospital, as long as the rent is comparable to that for other facilities within the community.
- *Payments made for physician services, nurses, and/or supplies, (particularly drugs) are rendered by the cancer center and not the hospital.* For example, if nursing time or supplies were purchased by the hospital, these items cannot be billed under a physician provider number. The one exception is personnel who are leased by the physician from the hospital at "fair market rates."
- *Cancer center medical records are physically separate from hospital records.* If not, there is probably a shared license between the cancer center and the hospital. To bill as a freestanding center, the cancer center would have to obtain independent corporate status.
- *The cancer center sets its own fees and performs its own billing operations.* Income and earnings are not shared with the hospital.
- *The center does not rely exclusively on referrals from the hospital.* If a freestanding cancer center is receiving patients from and sending patients to only one hospital, it may be necessary to widen its referral base to comply with Stark laws.

Before converting from hospital based to freestanding, contact your attorney to verify whether your center meets HCFA's criteria.

Q: *What is the difference between billing as a hospital-based center and billing as a freestanding center?*

A: Some of the major differences include the following:

- Reimbursement for freestanding centers does not include a facility fee or room charge. The 99211 code can only be used by nursing if the physician does not see the patient for freestanding services. Office overhead is allegedly covered in relative values for chemotherapy administration.
- For freestanding centers, chemotherapy administration is reimbursed on an hourly basis by codes 96410-96412 up to eight hours, by code 96414 for more than eight hours, and by code 96408 for IV push. (See your CPT code book for more details.) Hospital-based chemotherapy is billed with Q0083-Q0085 on a per-visit basis for chemotherapy.
- ICD-9-CM coding is more important for freestanding centers (but only until APCs are implemented in early 2000). As a freestanding center, drugs are not reimbursed unless there is a justifying ICD-9-CM code on the claim, rather than just those in Revenue Code 636.
- A physician must be on the premises to bill for chemotherapy administered at a freestanding site, i.e., a physician's office. Chemotherapy, drugs, and nursing time are not billable unless they are delivered "incident to" a physician's service. Physician presence is not necessary to bill these services in a hospital-based site.

Q: *Will we receive more favorable Medicare reimbursement by billing as a freestanding center?*

A: Both hospital-based and freestanding reimbursement is changing because of the Balanced Budget Act of 1997. Providers hope that negotiations to modify these proposed changes will occur.

If your hospital-based center bills the physician professional fees (E&M codes 99201-99499), then those payments would be higher in freestanding centers by about 20 to 25 percent per code, which could mean an 8 to 10 percent increase overall. However, the loss of chemotherapy supplies and facility fees may more than offset that gain.

Have a coding question? You can e-mail your questions to Ms. Buell at codemistress@documedics.com. Or, you may submit your questions in writing to Ms. Buell c/o *Oncology Issues* at 11600 Nebel Street Suite 201, Rockville MD 20852-2557. Fax: 301-770-1949.

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