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Christian Downs

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by Christian Downs

The long-awaited rule on Ambulatory Payment Classifications (APCs) was released on April 7 by the Health Care Financing Administration (HCFA). An initial analysis by ACCC indicates that the final rule may ease some of the concerns of the proposed rule, especially as it relates to reimbursement for cancer drugs. At the same time, hospitals and cancer centers need to begin to prepare for implementation as HCFA has targeted July 1, 2000, as an implementation date.

As many of you are already aware, APCs are an attempt by HCFA to develop a prospective payment system (PPS) for the hospital outpatient setting. This regulation does not affect inpatient care or services delivered in the physician office setting.

In the proposed rule released in September 1998, concern spread throughout the cancer community as HCFA had suggested that chemotherapy drugs be placed into one of four categories ranging in reimbursement from around \$50 to slightly more than \$200. Analysis by ACCC and the Lewin Group, an independent research firm, indicated that the losses of such a proposal would have been profound and may have caused cancer service lines to be shut down. Moreover, the proposal did not include any reimbursement for supportive care drugs.

Under the September 1998 proposal, outpatient payments were projected to decrease by 5.7 percent. However, under the latest proposal, HCFA projects an increase of 4.6 percent relative to pre-PPS levels. In fact, HCFA expects Medicare outpatient pay-

ments to rise nearly \$1.1 billion in fiscal year 2000 under the new system, according to the final rule.

Cancer center administrators, however, should be cautioned that these increases are across the board and not specific to the cancer service line. Further analysis by ACCC will be necessary to determine the impact on cancer-specific APCs.

At press time, ACCC was completing its analysis of the 700-page regulation. However, highlights of the final rule include:

- *Transitional "pass-through" payments for orphan and cancer drugs, biologicals and biological products, brachytherapy, and radiopharmaceuticals.* To ensure more equitable reimbursement, HCFA created a "transitional corridor" of two to three years during which an additional or "pass-through" payment beyond the APC amount will be made for certain agents. While several key questions remain, ACCC believes that drugs that are not fully reimbursed under the APC system will be eligible for an additional payment, one that brings the total payment to 95 percent of the average wholesale price (AWP). This is similar to the reimbursement received by our colleagues in the physician office setting.

- *A reduction in the variation in median costs within an APC grouping.* The highest median cost should be no more than two and one-half times the lowest median cost of a service in that grouping.

- *An annual review by HCFA of APC rates, wage adjustments, and new technology.*

The final rule can be downloaded from HCFA's web site (www.hcfa.gov/regs/hopps/default.htm). Comments must be received by June 6, 2000.

In addition, HCFA is planning an "extensive" education program

that will include conference calls with state and national hospital associations as well as with the fiscal intermediaries who administer the program. In May, claims testing will begin, along with the use of an expanded claims form, according to HCFA. ACCC also will provide its membership with extensive assistance in preparing for the July 1 implementation as well as follow-up assistance throughout the year. Cancer programs, however, are encouraged to begin preparing for APCs now.

INJECTABLE DRUGS

A bill has been recently introduced in Congress that would guarantee Medicare coverage for life-saving injectable drugs. The bill (H.R. 4149), entitled "Medicare Drug Coverage Preservation Act of 2000," ensures that Medicare beneficiaries who receive life-saving injectable drugs and biologicals continue to have access to those therapies consistent with federal law. The legislation clarifies a 1997 HCFA directive, which had the effect of limiting coverage for injectable drugs for certain Medicare beneficiaries.

Congress attempted to address this issue by placing a one-year moratorium on HCFA's ability to change this coverage policy in the Consolidated Appropriations Act for Fiscal Year 2000. HCFA recently issued a directive to its carriers instructing them to restore the coverage policy that was in effect prior to the 1997 directive. This bill would clarify coverage for these drugs into statute.

ACCC sent to the House Commerce Committee a letter supporting the legislation and encourages its members to contact their representatives asking them to support H.R. 4149. ■

Christian Downs is ACCC director of provider economics and public policy.