APCs—Looking Ahead

by Christian G. Downs

Many of you in the hospital outpatient department are well into your initial experience with billing ambulatory payment classifications (APCs). Now is a good opportunity to review the whole system. Why were APCs implemented in the hospital outpatient department? Quite simply, to save the federal government money. In 1998 Medicare spent more than $20 billion on outpatient services. Hospital outpatient expenditures for Medicare patients are up nearly 400 percent since 1985, and growing at a rate of 13 percent annually, or roughly twice the rate of inpatient care.

To cut costs, Congress ordered HCFA to develop a system that would pay hospitals prospectively for outpatient services rather than on a cost-based system. Unfortunately, the implementation of the hospital prospective payment program has been uneven over the last 18 months. Still, HCFA seems to have some understanding about the unique nature of oncology. For example, the original proposal suggested reimbursing oncology drugs based on one of four groups ranging from $50 to roughly $250. Needless to say, at these rates no outpatient oncology department could afford to administer much of its armament. After an advocacy effort from the oncology community, HCFA realized this system was untenable and decided to reimburse drugs at 95 percent of the average wholesale price (AWP), the same as in the physician office setting.

On the negative side, some incredibly poor methodological and functional problems have occurred, foremost in radiation oncology. HCFA used single-procedure bills to calculate group weights that were used ultimately to make payment determinations for radiation oncology services. This action led to inadequate payment for certain procedures and a misclassification within specific APCs. Groups such as the American Society for Therapeutic Radiology and Oncology (ASTRO) and ACCC have strongly urged HCFA to reevaluate its methodology for calculating reimbursement for radiation oncology services. Medicare must focus on cancer as a service line in the hospital, not on individual specialties. Drastic cuts in one area adversely affect the whole service line.

Medical oncology has also faced its challenges, particularly with billing and coding, and problems with Medicare's payment software. ACCC believes that some hospitals are *not* receiving reimbursement for physician services that are performed on the same day as chemotherapy administration. In other words, a patient comes into the clinic, sees the medical oncologist, and then goes to the infusion center for treatment. Some hospitals are reporting that they are not receiving payment for the physician visit. Currently, HCFA is trying to work out some of the problems in its software. We recommend that staff at hospital cancer programs visit the ACCC web site (*www.accc-cancer.org*) to stay up to date on this issue.

Even as HCFA is dealing with these issues, several other major concerns about APCs are looming on the horizon.

Congress passed legislation last year that directed the U.S. General Accounting Office (GAO) to conduct a study on the expense of providing chemotherapy in the physician office setting. Physician offices and hospitals are reimbursed for drugs and biologicals based on 95 percent of the AWP. For many years, physician offices have been severely under-reimbursed for administering chemotherapy. The GAO study is expected to address this issue of under-reimbursement and could be a precursor to the development of a new methodology for the payment for drugs. Of course, since hospitals are reimbursed the same as physician offices, GAO will be closely watching any change in methodology and could very well support applying the new methodology to hospitals. Several studies recently conducted by ACCC found that at 95 percent of AWP, the vast majority of hospital outpatient departments were only breaking even on chemotherapy services. Thus, we must all pay careful attention to payment changes for drugs administered in the physician office setting, as such changes might ultimately impact the hospital outpatient department.

How will cancer therapy be incorporated into the future APC system? Stay tuned. Just as you thought you understood this version of APCs, major changes and refinements will be coming in the next several years.

Cancer care is unique in the APC system because these services require flexibility and a need to quickly incorporate new therapies and treatments. The rapid development of drugs and biologicals and their ever-expanding off-label use should not be impeded by economic disincentives. Therefore, in designing new changes in the future, HCFA must create a system that will encourage innovation rather than limit hospital treatment options based on an inflexible and difficult reimbursement system.

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Legislative Resources

Newly elected lawmakers are convening in state capitols across the United States. The following web addresses for the legislatures of the 50 states, along with session dates, may help you keep up to date on local legislative issues affecting health care.

Alabama *www.legislature.state.al.us* (February 6 – May 14)

Alaska *www.legis.state.ak.us* (January 8 – May 8)

Arizona *www.azleg.state.az.us* (January 10 – April 17)

Arkansas *www.arkleg.state.ar.us* (January 8 – March 8)

California *www.leginfo.ca.gov* (December 4, 2000 – September 14)

Colorado *www.state.co.us/gov_dir/stateleg.html* (January 10 – May 9)

Connecticut *www.cga.state.ct.us* (January 3 – June 6)

Delaware *www.state.de.us/research/assembly.htm* (January 9 – June 30)

Florida *www.leg.state.fl.us* (March 6 – May 4)

Georgia *www.state.ga.us/services/leg* (January 8 – mid-March)*

Hawaii *www.capitol.hawaii.gov* (January 17 – early May)*

Idaho *www.state.id.us/legislat/legislat.html* (January 8 – late March)*

Illinois *www.legis.state.il.us* (January 10 – **)

Indiana *www.state.in.us/legislative* (January 8 – April 29)

Iowa *www.legis.state.ia.us* (January 8 – April 27)

Kansas *www.ink.org/public/legislative* (January 10 – late April)*

Kentucky *www.lrc.state.ky.us/home.htm* (January 2 – March 30)

Louisiana *www.legis.state.la.us* (March 26 – June 18)

Maine *janus.state.me.us/legis* (December 6, 2000 – June 20)

Maryland *mlis.state.md.us* (January 10 – April 9)

Massachusetts *www.state.ma.us/legis/legis.htm* (January 3 – **)

Michigan *michiganlegislature.org* (January 10 – **)

Minnesota *www.leg.state.mn.us* (January 3 – May 21)

Mississippi *www.ls.state.ms.us* (January 2 – April 1)

Missouri *www.moga.state.mo.us* (January 3 – May 30)

Montana *leg.state.mt.us* (January 3 – late April)*

Nebraska *www.unicam.state.ne.us/index.htm* (January 3 – June 1)

Nevada *www.leg.state.nv.us* (February 5 – June 4)

New Hampshire *www.state.nh.us/gencourt/iegencourt.html* (January 3 – late June)*

New Jersey *www.njleg.state.nj.us* (January 9 – **)

New Mexico *legis.state.nm.us* (January 16 – March 16)

New York *www.senate.state.ny.us* (January 3 – **) *www.assembly.state.ny.us* (January 3 – **)

North Carolina *www.ncga.state.nc.us* (January 24 – early July)*

North Dakota *www.state.nd.us/lr* (January 9 – mid April)*

Ohio *www.legislature.state.oh.us* (January 2 – **)

Oklahoma *www.lsb.state.ok.us* (February 5 – May 25)

Oregon *www.leg.state.or.us* (January 8 – early July)*

Pennsylvania *www.legis.state.pa.us* (January 2 – **)

Rhode Island *www.rilin.state.ri.us* (January 2 – late June)*

South Carolina *www.leginfo.state.sc.us* *www.lpitr.state.sc.us* (January 9 – June 7)

South Dakota *legis.state.sd.us/index.cfm* (January 9 – late March)*

Tennessee *www.legislature.state.tn.us* (January 30 – late May)*

Texas *www.capitol.state.tx.us* (January 9 – May 28)

Utah *www.le.state.ut.us* (January 15 – February 28)

Vermont *www.leg.state.vt.us* (January 3 – mid-May)*

Virginia *legis.state.va.us* (January 10 – February 24)

Washington *www.leg.wa.gov* (January 8 – April 22)

West Virginia *www.legis.state.wv.us* (February 14 – April 14)

Wisconsin *www.legis.state.wi.us* (January 3 – **)

Wyoming *legisweb.state.wy.us* (January 9 – early March)*

Key
*=Projected date
**=Legislature meets throughout the year

This list was compiled by Michael Teitelbaum, ACCC policy coordinator.