Medicare Outpatient Billing for "Pass-Through" Items

by Teri U. Guidi, M.B.A., F.A.A.M.A.

Q: *Under Medicare's hospital outpatient prospective payment system (HOPPS), what changes are being made to "pass-through" items?*

A: On March 22, 2001, the Health Care Financing Administration (HCFA) issued Program Memorandum Transmittal A-01-41, regarding changes in hospital outpatient billing for certain "pass-through" items under HOPPS.

Under HOPPS, HCFA created "C" codes for use by hospital outpatient departments to bill and receive pass-through payments for a large number of specific devices. Some "C" code definitions were fairly broad; others were very specific, and sometimes even named a particular manufacturer.

HCFA has decided to discontinue the use of these "device-specific" or "item-specific" codes and has created device-category codes instead. Each existing device-specific code will be reassigned to a category group of similar items.

Q: *Which devices are covered in the new codes?*

A: Medical devices that have already met HCFA's definition of a qualifying device under HOPPS are included in the new categories. Pass-through drugs and biologicals are *not* included in the category groupings. There are 96 new category "C" codes into which nearly 550 specific items with almost 500 device-specific codes are designated.

Q: *Do the new category "C" codes all relate to oncology?*

A: No. Of the 96 new categories, only a small number relate to oncology. In radiation oncology, there are seven new codes for brachytherapy. For medical oncology, there are even fewer codes, covering implantable pumps, indwelling ports, and peripherally inserted central catheters. The remaining categories include a substantial number of catheters, pacemakers, leads, and stents.

Q: *What about devices that didn't have specific codes before?*

A: According to the Program Memorandum, devices that were not previously assigned a pass-through "C" code can now be coded with the appropriate new category code. However, these devices must meet the applicable descriptors and instructions established by HCFA (see the Program Memorandum and the Aug. 3, 2000, *Federal Register*). The Program Memorandum encourages providers to seek the assistance of manufacturers in ambiguous cases.

Q: *Are there category codes for pre-packaged kits?*

A: No. HCFA has decided not to create codes for kits. If you purchase pre-packaged kits, your billing mechanisms need to separate out the items that have billable codes for HCFA. You can bill several items from one kit as long as each one is approved and has a valid code. If there are items in the kit that are not appropriate for billing under HOPPS (such as supplies), they cannot be submitted for pass-through payment.

Q: *When do the new device category codes take effect?*

A: New device category codes became effective April 1, 2001. The old device-specific codes will remain active until June 30, 2001, to give hospitals time to make the appropriate conversions. During this 90-day grace period, hospitals may bill a device under either the old or the new code, but not both.

Q: *Will these codes be permanent?*

A: No. All of the transitional pass-throughs (devices, drugs, and biologicals) should be considered temporary. HCFA's plan is to eventually adjust the HOPPS system to reflect the costs of the pass-through items, rolling payment into the procedures associated with each. In the interim, watch for additions, deletions, and modifications.

Q: *How do the new category codes affect payment?*

A: As they have been from the beginning of the HOPPS, transitional pass-through payments for devices continue to be based on charges that are reduced to cost. (Some devices are subject to additional deductions based on the costs of similar items).

Q: *What should we do next?*

A: Hospitals need to make changes to any forms, computer systems, or manuals to ensure that the old device-specific codes are correctly changed to the new category codes. Double check the changes, because some items that shared a device-specific code are now assigned to different categories. For example, C1790 was the old code for several different brachytherapy seeds. Now the iridium-192 seeds have been assigned to category code C1717, and the yttrium-90 are in category C2616.

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