

July 2018

Medicare Payment Systems: Separate but Related

Medicare uses many different systems – each with its own set of rules – to set policy, process claims and issue payments for services provided to Medicare beneficiaries. These include:

- Accountable Care Organizations (ACO)
- Acute Inpatient Prospective Payment System (PPS)
- Ambulance Fee Schedule
- Ambulatory Surgical Center (ASC) Payment
- Clinical Laboratory Fee Schedule
- Durable Medical Equipment (DME)
- Home Health Care
- Hospice
- Hospital Outpatient PPS
- Inpatient Psychiatric Facility PPS
- Inpatient Rehabilitation Facility PPS
- Long-Term Care Hospital PPS
- Physician Fee Schedule
- Skilled Nursing Facility PPS

In addition to these systems which are covered under Medicare Part A (Hospital) and Medicare Part B (Physician and other professional services), there are also different systems for Medicare Part C (Medicare Advantage) and Medicare Part D (Prescription Drugs).

The payments that physician anesthesiologists receive from Medicare for anesthesia services are determined by the regulation and legislation specific to the Medicare Physician Fee Schedule (MPFS), but a base line knowledge of the other payment systems can come in handy as this recent example illustrates.

The Skilled Nursing Facility (SNF) payment system includes [consolidated billing](#). As explained by CMS in its Proposed Rule for the SNF PPS (Federal Register, Vol 83, No 89 May 8, 2018) specific provisions within the Social Security Act “require a SNF to submit consolidated bills to its Medicare Administrative Contractor (MAC) for almost all of the services that its residents receive during the course of a covered Part A stay.” Certain services are excluded from that requirement and anesthesia care is one of those excluded services. CMS maintains a list of excluded services by CPT® code. When the MAC receives a claim for services provided to a Medicare beneficiary who is within a covered SNF stay and the service is not on the list of excluded services, the claim is denied with the instruction to seek payment from the SNF.

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ASA learned that such denials were happening for anesthesia services described by one of the five anesthesia codes that were added to CPT effective January 1, 2018. Investigation revealed that the CMS list of services not subject to SNF consolidated billing had not been updated to include these new codes. We very much appreciate how CMS promptly addressed the matter once we brought it to the agency's attention. While the next update to this list of services will not take place until October 1, 2018, Medicare has issued a Technical Directive Letter (TDL) to its contractors instructing them to reprocess denied claims by overriding this edit when they receive a request to do so from the anesthesia provider. For more information, see CMS's [MLM 10852](#) as released June 20, 2018 and to be implemented October 1, 2018. This notice confirms that, *"MACs will re-open and re-process the claims brought to their attention, for claims with dates of service on or after July 1, 2018, that have previously been denied/rejected prior to the implementation of CR 10852."*

The Alternative Payment Methodology (APM) track in Medicare's Quality Payment Program (QPP) under the [Medicare Access and CHIP Reauthorization Act \(MACRA\)](#) provides more reason to gain some familiarity with systems other than the MPFS. Medicare APMs look at expenditures and potential savings across both Part A and Part B.

As an example, CMS's [Bundled Payment for Care Improvement Advanced \(BPCI Advanced\) Model](#) will be considered an Advanced APM for the 2019 QPP (2019 performance period/2021 payment period). The model will cover all expenditures within an identified episode of care including physician services, inpatient/ outpatient services, inpatient rehabilitation services, SNF services, home health services, clinical laboratory services, durable medical equipment (DME), Part B drugs and hospice care. Understanding how these systems work will allow physician anesthesiologists to be active and meaningful participants in BPCI Advanced or any other such opportunities they and their hospitals may pursue.

Such understanding can also help show the value of a [Perioperative Surgical Home \(PSH\)](#). The PSH is a patient-centric, team-based model of care created by leaders within the American Society of Anesthesiologists to help meet the demands of a rapidly approaching health care paradigm. PSH emphasizes gratified providers, improved population health, reduced care costs, and satisfied patients. This model when implemented, sets up practices and systems for success in meeting their targets within different payment models. The PSH model builds the infrastructure and plans needed to make the transition to value-based care and is an opportunity for physician anesthesiologists help lead the health care delivery changes that C-suite leadership and the health care landscape are demanding.

For example, since the patient is at the center of a PSH, improved patient outcomes and experience result. That can improve patient satisfaction scores which are key to hospital payments from Medicare. Physician anesthesiologists when well-informed about diverse

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payment models are better-equipped to align and monetize their PSH efforts with different payment models and be part of leading the changes necessary to provide value-based care.

A February 2016 Timely Topic, [The A B C's \[and\] of Medicare](#) opened the discussion about the importance of knowing more about Medicare payment than what is included in the MPFS. Here in July 2018, the need for that knowledge is growing.

For more information on various Medicare Payment Systems:

The Centers for Medicare & Medicaid Service (CMS):

Look under the Medicare Fee-for Service Payment heading on [CMS's Medicare page](#) for overall general information and for information specific to the systems listed above.

Medicare Payment Advisory Commission (MedPAC):

MedPAC's [Payment Basics](#) series presents an overview of the workings of each of Medicare's payment systems.

The Advisory Board:

The Advisory Board offers Cheat Sheets that cover a wide range of topics including:

[C-Suite Cheat Sheet: Medicare Part A](#)

[C-Suite Cheat Sheet: Medicare Part B](#)

[C-Suite Cheat Sheet: Medicare Part C](#)

[C-Suite Cheat Sheet: Medicare Part D](#)