

THE METHODOLOGY OF CALCULATING PACKAGING

Advisory Panel on Hospital Outpatient Payment

Presented by The Provider Roundtable

August 20, 2018

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The Provider Roundtable (PRT)

- PRT members represent 14 hospitals and/or health systems representing patients from 35 states across the country
- As provider employees, we have no financial relationship (e.g. manufacturer) to report related to this proposal

Affected CPTs and APCs

- HCPCS Codes: All payable HCPCS codes containing packaged costs are potentially impacted
- APCs: All separately payable APCs are potentially impacted
 - We will use the drug administration APCs 5691-5694 for illustration purposes

Description of Packaging Methodology Issue

- The PRT understands that packaging is a central concept of a prospective payment system and that CMS has significantly expanded packaging since the inception of the OPPS
- CMS explains their methodology for estimating packaged costs in the claims accounting document which is released with the rules but there are many unanswered questions about the methodology used to estimate packaged dollars

Description of Packaging Methodology Issue (cont.)

- It is helpful to understand the impact of packaging on APC payment rates when CMS publishes data from its rate setting process. CMS already publishes some information in the APC Offset File for some categories of packaged services:
 - *drugs above the packaging threshold,*
 - *policy packaged drugs and biologicals, and*
 - *packaged devices*
- To illustrate how CMS publishes some data resulting from their rate setting methodology, we focused on drug administration codes

Published Packaging Information from Rate Setting Methodology

			Final CY 2018 Portion of APC Payment Associated with Devices, Including Implantable Biologicals		Final CY 2018 Portion of APC Payment Associated with "Threshold Packaged" Drugs (Drugs that May Be Packaged under the Packaging		Final CY 2018 Portion of APC Payment Associated with "Policy Packaged" Drugs (Drugs that Are Always Packaged, i.e., Diagnostic		Final CY 2018 Portion of APC Payment Associated with Conditionally Packaged Clinical Laboratory Tests		Final CY 2018 Portion of APC Payment Associated with Conditionally Packaged Ancillary Services	
APC	APC Title	Final CY 2018 APC Payment Rate	Percent	Dollar Amount	Percent	Dollar Amount	Percent	Dollar Amount	Percent	Dollar Amount	Percent	Dollar Amount
5691	Level 1 Drug Administration	\$37.03	0.00%	\$0.00	0.30%	\$0.11	0.00%	\$0.00	?	?	?	?
5692	Level 2 Drug Administration	\$58.20	0.00%	\$0.00	61.61%	\$35.86	0.03%	\$0.02	?	?	?	?
5693	Level 3 Drug Administration	\$191.08	0.07%	\$0.13	86.02%	\$164.37	0.27%	\$0.52	?	?	?	?
5694	Level 4 Drug Administration	\$297.54	0.04%	\$0.12	98.56%	\$293.26	6.79%	\$20.20	?	?	?	?

The table comes from CMS with the exception of the columns with question marks; these columns were added to illustrate categories of packaged services for which CMS has not released data resulting from its rate setting methodology

Packaging Methodology on Drug Administration APCs

- Summing the published packaging data illustrates only a partial amount of the APC payment rate associated with packaged services. Stakeholders are unable to follow CMS' methodology for the unpublished data and cannot evaluate the impact of all the packaging policies on the payment rates
- The table below shows this information for the drug administration APCs.

APC	APC Title	Final CY 2018 APC Payment Rate	Sum of Published Packaged Amounts
5691	Level 1 Drug Administration	\$37.03	\$0.11
5692	Level 2 Drug Administration	\$58.20	\$35.87
5693	Level 3 Drug Administration	\$191.08	\$165.02
5694	Level 4 Drug Administration	\$297.54	\$313.58

- For APC 5694, the amount of packaged payment published by CMS exceeds the actual payment amount and this is without any information about the dollars associated with packaged clinical lab tests or ancillary services

Packaging Methodology on Drug Administration APCs (Cont.)

- Based on published packaging data, the amount of packaged payment as a percent of the APC payment rate ranges from zero to 98.65% with APC 5694 being the only APC with data above 100% at 105.39%
- It is not possible to tell if packaging exceeds payment rates without CMS providing additional information about other packaged costs associated with clinical labs and ancillary services as developed in their rate setting methodology
- We would expect lab services to be higher proportion of packaging for drug administration services compared to other payable APC services due to the lab tests performed in advance of chemotherapy and it is important to be able to validate this if the information from the methodology were available for analysis

Consequences of Unpublished Packaging Data

- In the CY 2019 OPPS rule, CMS solicits comments from stakeholders about packaging policies but without complete information about the packaged dollars associated with different APCs, by type of packaging costs, stakeholders are constrained in their ability to provide meaningful methodological comments to CMS
- Without the full picture of packaged costs associated with each APC payment rate, stakeholders cannot prepare analyses on the impact of CMS' packaging methodology on current and proposed future APC payment rates

Recommendation

- The PRT recommends the HOP Panel request CMS to publish packaging data for each major type of packaged cost. Specifically this means CMS should release the packaged dollars associated with clinical lab tests and ancillary services that are packaged when it releases the annual APC offset files in the same manner it currently publishes packaging data for packaged drugs, policy-packaged items and services, and devices
- The PRT requests that this data be published with both the proposed and final rules

Expected Outcomes

- Stakeholders will have complete information about each stage of CMS' claims accounting and rate-setting methodology particularly as it relates to the different types of packaged services which will enable them to provide more robust and meaningful comments and analyses to CMS about its packaging policies and the impact of those policies on all APC payment rates
- A better understanding will be had by all stakeholders of the breadth, depth, and inclusion of packaged dollars in APC payment rates

Summary and Final Recommendation

- Understanding the amount of packaging in each APC payment rate by type of packaged service is important for analysis and for greater understanding of the methodology and importance and scope of packaging in the OPPS
- The PRT requests the HOP Panel request CMS to publish complete data on each packaged payment policy category for both the proposed and final rules to better illuminate packaging methodologies used in rate setting and the resulting impact on APC payment rates