

# Medicare Outpatient Pay to Rise by 3% in 2007

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Hospitals will get an average 3% increase in pay for outpatient services under a final rule issued by the Centers for Medicare and Medicaid Services.

But CMS also will cut reimbursement for implantation of some devices—mostly neurologic stimulation systems—under the Hospital Outpatient Prospective Payment System rule for 2007.

Not much has changed since the agency first proposed the rule in August, so there are few surprises.

With the 3% increase, Medicare will pay at least \$32 billion to hospitals for outpatient procedures in 2007.

CMS has expressed concern that outpatient costs are rising precipitously—an estimated 12% in 2005 and 9% in 2007—mostly because of growth in volume and intensity of services. The increase in costs

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affects not only Medicare's overall budget but also seniors' pocketbooks due to the 25% copayments for outpatient services, according to the agency.

However, the agency only decreased payments in a few areas, for instance, cutting

reimbursement by 3%-9% in 2007 for implantation of some neurologic devices. The agency said it will reduce payments for implantation of a neurostimulator—used to treat Parkinson's disease and essential tremor—by 7%, to \$11,500 for 2007. CMS is reducing coverage of implantation of the leads and electrodes attached to the device by 9%, from \$14,900 to \$13,500.

Implantable cardiology devices such as pacemakers and implantable cardioverter defibrillators also are slated for increases. However, Medicare will no longer cover the cost of a device that is replaced under warranty or as part of a recall, the agency said. In the past, Medicare has paid for the procedure and the device, even though the hospital usually receives it free of charge.

As of Jan. 1, the hospital can only charge less than \$1.01 for those devices. The minimal charge will ensure that the claim is accepted and will also help CMS identify and track recalls, according to the agency.

In a statement, device industry group AdvaMed mostly supported the new rule, but continued to object to the agency using 2-year-old claims data as a basis for the new payment rates.

Some procedures will be getting a fairly big boost, including implantation of drug infusion reservoirs (60% increase), drug infusion devices (16% increase), and pain management catheters (11% increase).

In another change, hospitals will not have to begin reporting on outpatient quality in 2007. CMS lifted that require-

ment, which was proposed in the initial rule and would have required reporting on certain measures to receive the increase in overall payments. Instead, the agency has postponed that requirement until 2009. In the meantime, CMS will develop outpatient-specific quality measures.

The American Hospital Association applauded the delay. "The AHA is pleased that CMS will develop quality measures specifically for the outpatient setting and has correctly given hospitals ample time to

implement a reporting system for hospital outpatient services," AHA Executive Vice President Rick Pollack said in a statement.

As incongruous as it seems, as part of the final rule on outpatient pay, hospitals also will be required to submit more inpatient quality data.

To get the full inpatient pay increase in 2008, hospitals will have to report on measures endorsed by the National Quality Forum, and also measure patient satisfaction using the Hospital Consumer Assessment

of Healthcare Providers and Systems. Hospitals also will have to report risk-adjusted inpatient outcome measures such as 30-day mortality for patients hospitalized with acute myocardial infarction or heart failure.

"In this final rule, we are taking one more step toward rewarding hospitals for providing quality care, not just in the inpatient setting but also in the outpatient department," Leslie Norwalk, CMS acting administrator, said in a statement. ■

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