CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-04 Medicare Claims Processing	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 1540	**Date: JUNE 20, 2008**
	Change Request 6095

SUBJECT: July 2008 Update to the ASC Payment System; Summary of Payment Policy Changes

I. SUMMARY OF CHANGES: This Recurring Update Notification describes changes to, and billing instructions for, payment policies implemented in the July 2008 ASC update. This update provides updated payment rates for selected separately payable drugs and biologicals, descriptors for newly created Level II HCPCS codes for drugs and biologicals, and payment rates and descriptors for three newly created Category III CPT codes that are added to the list of payable procedures. Code deletions are also identified in this notification. The initial release of this RUN can be found in Chapter 14, section 10, of the IOM.

New / Revised Material
Effective Date: July 1, 2008
Implementation Date: July 7, 2008

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	Chapter / Section / Subsection / Title
N/A	

III. FUNDING:

SECTION A: For Fiscal Intermediaries and Carriers:
No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

SECTION B: For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification
**Unless otherwise specified, the effective date is the date of service.*

Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 1540	Date: June 20, 2008	Change Request: 6095

SUBJECT: July 2008 Update to the ASC Payment System; Summary of Payment Policy Changes

Effective Date: July 1, 2008

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I. GENERAL INFORMATION

A. Background:

This Recurring Update Notification describes changes to, and billing instructions for, payment policies implemented in the July 2008 ASC update. This update provides updated payment rates for selected separately payable drugs and biologicals, descriptors for newly created Level II HCPCS codes for drugs and biologicals, and payment rates and descriptors for three newly created Category III CPT codes that are added to the list of payable procedures. Code deletions are also identified in this notification.

According to final policy for the revised ASC payment system, as set forth in CMS-1517-F, CMS will issue quarterly updates to ASC payment rates for separately paid drugs and biologicals and update the lists of covered surgical procedures and covered ancillary services to include newly created HCPCS codes.

Policies regarding regular quarterly updates for ASCs to recognize newly created Level II HCPCS or Category III CPT codes for ASC payment and to update the payment rates for separately paid drugs and biologicals based on the most recently submitted ASP data, are included in the 2008 ASC payment system instructions: Transmittal 1325 (CR5680), issued August 29, 2007, and Transmittal 1415 (CR5885), issued January 18, 2008.

The payment policy for brachytherapy sources covered in ASCs requires that they be paid at the same rate paid to hospitals under the OPPS when a prospective rate is available. Due to the June 30, 2008 expiration of the provisions at Section 106 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 which required CMS to continue to pay hospitals for brachytherapy sources for the period of January 1 through June 30, 2008 at hospitals' charges adjusted to costs, this transmittal instructs our contractors to implement, July 1, 2008, updated rates for brachytherapy sources as provided in the July ASCFS. The prospective rates for July1 through December 31, 2008 will be displayed in Addendum BB on the CMS Web site at the end of June, 2008.

In addition, this change request amends the ASCFS payment file for selected office-based procedures and radiology services subject to payment at the lesser of the nonfacility practice expense (PE) relative value units (RVU) amounts under the Medicare physician fee schedule (MPFS). As a result of the Medicare, Medicaid and SCHIP Extension Act of 2007, the MPFS rates established for the period January 1 through June 30, 2008 will expire.

B. Policy:

1. Billing for Drugs and Biologicals

ASCs are strongly encouraged to report charges for all separately payable drugs and biologicals, using the correct HCPCS codes for the items used. ASCs billing for these products must make certain that the reported units of service of the reported HCPCS code are consistent with the quantity of the drug or biological that was used in the care of the patient. ASCs should not report HCPCS codes and separate charges for drugs and biologicals that receive packaged payment through the payment for the associated covered surgical procedure.

We remind ASCs that under the ASCPPS, if two or more drugs or biologicals are mixed together to facilitate administration, the correct HCPCS codes should be reported separately for each product used in the care of the patient. The mixing together of two or more products does not constitute a "new" drug as regulated by the Food and Drug Administration (FDA) under the New Drug Application (NDA) process. In these situations, ASCs are reminded that it is not appropriate to bill HCPCS code C9399. HCPCS code C9399, Unclassified drug or biological, is for new drugs and biologicals that are approved by the FDA on or after January 1, 2004, for which a HCPCS code has not been assigned.

Unless otherwise specified in the long description, HCPCS descriptions refer to the non-compounded, FDA-approved final product. If a product is compounded and a specific HCPCS code does not exist for the compounded product, the ASC should report an appropriate unlisted code such as J9999 or J3490.

a. Drugs and Biologicals with Payment Based on Average Sales Price (ASP) Effective July 1, 2008

As stated in the CY 2008 OPPS/ASC final rule, payments for separately payable drugs and biologicals based on the average sales price (ASP) will be updated on a quarterly basis as later quarter ASP submissions become available. In cases where adjustments to payment rates for previous quarters are necessary based on the most recent ASP submissions, we will incorporate these changes to the payment rates in a revised ASC DRUG file(s) for the relevant previous quarter(s)' release of the ASC DRUG FILE.

Updated payment rates effective July 1, 2008 are included in the July l, 2008 update of the ASC Addendum BB, which will be posted on the CMS Web site at the end of June.

Instructions for downloading the ASC DRUG file updates are included in the business requirements section below. Contractors shall modify the necessary systems to accept all HCPCS and payment rate changes contained in this change request. Contractors shall make available to ASCs the list of any newly added codes and previous quarter payment rate changes as identified in this instruction.

Adjustment claims brought to the contractor's attention for payment rate changes identified in this instruction should be adjusted using the payment rates from the file in effect for the dates of service on the claim, including a revised release of both the January 2008 and April 2008 ASC DRUG files, for the date that the service was provided.

b. New HCPCS Drug Codes Separately Payable under the ASC Payment System as of July 1, 2008

Four new HCPCS codes have been created to be payable with dates of service on or after July 1, 2008. Those codes, in addition to two other existing separately paid HCPCS Level II codes, have been granted pass-through status under the OPPS beginning July 1, 2008. ASC payment for drugs and biologicals that have pass-through status under the OPPS is made at their OPPS rates. The four HCPCS codes that are newly payable in ASCs and their descriptors are listed in Table 1 below.

Table 1 – New Drugs and Biologicals Separately Payable under the ASC Payment System as of July 1, 2008

HCPCS	Short Descriptor
C9242	Injection, fosaprepitant
C9356	TendoGlide Tendon Prot, cm2
C9357	Flowable Wound Matrix, 1 cc
C9358	SurgiMend, 0.5cm2

The payment rates for these drugs are included in the July 2008 ASC DRUG file and can also be found in the July 2008 update of the ASC Addendum BB which will be posted on the CMS Web site at the end of June.

No HCPCS codes are being deleted from the ASC DRUG file for July 2008.

c. Updated Payment Rates for Certain HCPCS Codes Effective January 1, 2008 through March 31, 2008

The payment rates for several HCPCS codes were incorrect in the January 2008 ASC DRUG file. The corrected payment rates are listed below and have been included in the revised January 2008 ASC DRUG file, effective for services furnished on January 1, 2008 through March 31, 2008.

Table 2- Updated Payment Rates for Certain HCPCS Codes Effective January 1, 2008 through March 31, 2008

HCPCS	Short Descriptor	Payment Indicator	Corrected Payment Rate	
90675	Rabies vaccine, im	K2	150.27	
J2820	Sargramostim injection	K2	25.02	
J9010	Alemtuzumab injection	K2	549.29	
J9015	Aldesleukin/single use vial	K2	764.56	
J9226	Supprelin LA implant	K2	14694.12	

d. Updated Payment Rates for Certain HCPCS Codes Effective April 1, 2008 through June 30, 2008

The payment rates for several HCPCS codes were incorrect in the April 2008 ASC DRUG file. The corrected payment rates are listed below and have been corrected in the revised April 2008 ASC DRUG file effective for services furnished on April 1, 2008 through June 30, 2008.

Table 3- Updated Payment Rates for Certain HCPCS Codes Effective April 1, 2008 through June 30, 2008

HCPCS	Short Descriptor	Payment Indicator	Corrected Payment Rate
J2323	Natalizumab injection	K2	7.51
J2778	Ranibizumab inj	K2	406.18
J3350	Urea Injection	K2	23.23
J3488	Reclast injection	K2	216.61

e. Correct Reporting of Units for Drugs

ASCs are reminded to ensure that units of drugs administered to patients are accurately reported in terms of the dosage specified in the full HCPCS code descriptor. That is, units should be reported in multiples of the units included in the HCPCS descriptor. For example, if the drug's HCPCS code descriptor specifies 6 mg, and 6 mg of the drug were administered to the patient, the units billed should be 1. As another example, if the drug's HCPCS descriptor specifies 50 mg and 200 mg of the drug were administered to the patient, the units billed should be 4. ASCs should not bill the units based on how the drug is packaged, stored, or stocked. That is, if the HCPCS descriptor for the drug code specifies 1 mg and a 10 mg vial of the drug was administered to the patient, 10 units should be reported on the bill, even though only 1 vial was administered. HCPCS short descriptors are limited to 28 characters, including spaces, so short descriptors do not always capture the complete description of the drug. Therefore, before submitting Medicare claims for drugs and biologicals, it is extremely important to review the complete long descriptors for the applicable HCPCS codes.

2. Payment for Brachytherapy Sources as of July 1, 2008

The Medicare, Medicaid, and SCHIP Extension Act of 2007 requires CMS to pay for brachytherapy sources for the period of January 1 through June 30, 2008 at hospitals' charges adjusted to costs. Consistent with our policy to pay ASCs at contractor-priced rates if prospective OPPS rates are not available for brachytherapy sources, for the period January 1 through June 30, 2008, ASCs are paid at contractor-priced rates for these sources. The prospective payment rates for each source, which are listed in Addendum BB to our CY 2008 final rule dated November 27, 2007, will be used for payment from July 1 through December 31, 2008. These payment rates are also included in the revised ASCFS effective for dates of service beginning July 1, 2008. The "H7" payment indicators assigned to brachytherapy source HCPCS codes in the April 2008 Addendum BB on our web site will change to "H2" to reflect the policy to pay for brachytherapy sources at prospectively determined rates, as in Addendum BB published with our CY 2008 OPPS/ASC final rule with comment period.

The HCPCS codes for separately payable brachytherapy sources, descriptors, and payment indicators for CY 2008 are listed in Table 4 below, a comprehensive list of brachytherapy sources that are eligible for payment in ASCs when provided integral to a covered surgical procedure. Note that when billing for stranded sources, providers should bill the number of units of the appropriate source HCPCS C-code according to the number of brachytherapy sources in the strand, and should not bill as one unit per strand. The payment rates for these brachytherapy sources will be available in Addendum BB posted on the CMS Web site at the end of June.

Table 4- Comprehensive List of Brachytherapy Sources Payable as of July 1, 2008

HCPCS	Short Descriptor	Payment Indicator
A9527	Iodine I-125 sodium iodide	H2
C1716	Brachytx, non-str, Gold-198	H2
C1717	Brachytx, non-str,HDR Ir-192	H2
C1719	Brachytx, NS, Non-HDRIr-192	H2
C2616	Brachytx, non-str,Yttrium-90	H2
C2634	Brachytx, non-str, HA, I-125	H2
C2635	Brachytx, non-str, HA, P-103	H2
C2636	Brachy linear, non-str,P-103	H2
C2638	Brachytx, stranded, I-125	H2
C2639	Brachytx, non-stranded,I-125	H2
C2640	Brachytx, stranded, P-103	H2
C2641	Brachytx, non-stranded,P-103	H2
C2642	Brachytx, stranded, C-131	H2
C2643	Brachytx, non-stranded,C-131	H2
C2698	Brachytx, stranded, NOS	H2
C2699	Brachytx, non-stranded, NOS	H2

3. Category III CPT Codes

The AMA releases Category III CPT codes in January for implementation the following July 1, and in July, for implementation January 1 of the following year. As discussed in the CY 2008 OPPS/ASC final rule with comment period (72 FR 66834), we adopted a policy to implement through the July ASC quarterly update, the Category III codes that the AMA releases each January for implementation the following July 1, to ensure timely collection of data pertinent to the services described by the codes; to ensure patient access to the services the codes describe; and to eliminate potential redundancy between Category III CPT codes and some of the C-codes that are payable under the ASCFS as a result of their creation by CMS in response to applications for new technology services under the OPPS.

Therefore, we are implementing three new Category III CPT codes that we have determined are appropriate for payment in ASCs, effective July 1, 2008. The new Category III codes, descriptors, and their ASC payment indicators are shown in Table 5 below. Payment rates for these services can be found in Addendum AA of the July 2008 ASC Update that will be posted on the CMS Web site at the end of June.

These new Category III CPT codes and their payment rates are included in the revised January and July releases of the ASCFS.

Table 5--Category III CPT Codes Implemented as ASC Covered Surgical Procedures as of July 1, 2008

HCPCS	Short Descriptor	Payment Indicator
0190T	Place intraoc radiation src	G2
0191T	Insert ant segment drain int	G2
0192T	Insert ant segment drain ext	G2

4. ASC Payment for Office-Based Procedures and Radiology Services

ASC payment for office-based procedures and radiology services are made at the lesser of the nonfacility practice expense (PE) relative value units (RVU) amount under the Medicare Physician Fee Schedule or the ASC rate for the service calculated according to the standard ASC methodology. The provisions of Section 109(b) of the Medicare, Medicaid and SCHIP Extension Act of 2007 expire after June 30, 2008 and, therefore, the MPFS payment rates for July 1 through December 31, 2008 will be those issued by CMS in the MPFS final rule (72 FR 66410). The changes to those rates result in changes to rates for some covered office-based surgical procedures and covered ancillary radiology services paid under the ASC payment system.

Thus, beginning July 1, 2008, ASC payment amounts for office-based procedures and radiology services will be equal to the rates displayed in Addenda AA and BB to the OPPS/ASC final rule with comment period (72 FR 66945 and 67165) and will be included in Addenda AA and BB that will be posted on the CMS Web site at the end of June. These revised rates are included in the July release of the ASCFS

II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
6095.1	Medicare contractors shall download and install the July 2008 ASC DRUG file. FILENAME: `MU00.@BF12390.ASC.CY08.DRUG.JUL.C.V0619` **Date of retrieval will be provided in a separate email communication from CMS.**	X			X			X			
6095.2	Contractors and CWF shall assign TOS F to C1716, C1719, C2616 and C9242, C9356, C9357, C9358 for claims with DOS on or after July 1,	X			X					X	

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
	2008.										
6095.3	Medicare contractors shall download and install a revised January 2008 ASC DRUG file. FILENAME: `MU00.@BF12390.ASC.CY08.DRUG.JAN.C.V0619` **Confirmation and date of retrieval will be provided in a separate email communication from CMS.**	X			X			X			
6095.3.1	Medicare contractors shall adjust as appropriate claims brought to their attention that: 1) Have dates of service on or after January 1, 2008, but prior to April 1, 2008 and ; 2) Were originally processed prior to the installation of the revised January 2008 ASC DRUG File.	X			X						
6095.4	Medicare contractors shall download and install a revised April 2008 ASC DRUG file. FILENAME: `MU00.@BF12390.ASC.CY08.DRUG.APR.C.V0619` **Confirmation and date of retrieval will be provided in a separate email communication from CMS.**	X			X			X			
6095.4.1	Medicare contractors shall adjust as appropriate claims brought to their attention that: 3) Have dates of service on or after April 1, 2008, but prior to July 1, 2008 and ; 4) Were originally processed prior to the installation of the revised April 2008 ASC DRUG File.	X			X						
6095.5	Medicare contractors shall download and install a July ASCFS effective for	X			X			X			

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
	dates of service on or after July 1, 2008. FILENAME: `MU00.@BF12390.ASC.CY08.FS.JUL.V0527` **Confirmation and date of retrieval will be provided in a separate email communication from CMS.**										
6095.6	Contractors and CWF shall assign TOS F for 0190T, 0191T and 0192T for claims with DOS on or after July 1, 2008. These codes shall be added to the ASCFS.	X			X					X	
6095.7	Medicare contractors shall download and install change records to the January ASCFS effective for dates of service on or after January 1, 2008 through June 30, 2008. FILENAME: `MU00.@BF12390.ASC.CY08.FS.JAN.V0527` **Confirmation and date of retrieval will be provided in a separate email communication from CMS.**	X			X			X			
6095.7.1	Medicare contractors shall adjust as appropriate claims brought to their attention that: 5) Have dates of service on or after January 1, 2008, but prior to July 1, 2008 and ; 6) Were originally processed prior to the installation of the corrected records to the January 2008 ASCFS File.	X			X						
6095.8	Contractors shall send notification of successful file receipt via email to price_file_receipt@cms.hhs.gov stating the name of the file received and the entity for which was received (e.g., carrier/fiscal intermediary name	X			X						

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
	and number).										
6095.9	Contractors shall make July 2008 ASCFS fee data for their ASC payment localities available on their web sites.	X			X						

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
6095.10	A provider education article related to this instruction will be available at http://www.cms.hhs.gov/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X			X						

IV. SUPPORTING INFORMATION

Section A: For any recommendations and supporting information associated with listed requirements, use the box below:
Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: For all other recommendations and supporting information, use this space:

V. CONTACTS

Pre-Implementation Contact(s): ASC Payment Policy: Chuck Braver at chuck.braver@cms.hhs.gov or 410-786-6719;. Carrier/ AB MAC Claims Processing Issues: Yvette Cousar at yvette.cousar@cms.hhs.gov or 410-786-2160.

Post-Implementation Contact(s): Regional Office

VI. FUNDING

Section A: For *Fiscal Intermediaries (FIs), Carriers, and Regional Home Health Carriers (RHHIs)*:
No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

Section B: *For Medicare Administrative Contractors (MACs)*:
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.