

The Impact of Reimbursement Changes on Cardiovascular Programs

By Charlie Schleppey

On August 2, CMS released the long-awaited changes to reimbursement rates for 2007 inpatient hospital services. Surprisingly, but to the relief of many, the anticipated reductions of up to 34% for cardiac procedures that were issued in the May Proposed Ruling have been lowered with this Final Ruling.

Starting in FY2007, CMS will begin to move away from charge-based payment determinations and instead use cost-based weights. The change will be phased over three years, while CMS also moves forward with implementing a revised severity-adjusted DRG system, which will be phased in as well.

Corazon believes that if this methodology is strictly applied, over these next three years, reimbursement for cardiovascular services—where hospitals typically experience higher margins—will likely decrease. In fact, this new methodology seeks to gradually make profit margins **even** across all clinical specialties, potentially impacting a clinically-efficient and operationally-sound CV service line. But, with the prevalence of heart disease and the need for advanced treatment, it will become even more important for hospitals to aggressively manage the margins in the face of these reimbursement pressures.

The following are some of the cardiac-related reimbursement changes that have been implemented for FY2007, accompanied by Corazon recommendations for ways to minimize the negative impact of these changes while optimizing your margins:

Percutaneous Coronary Interventions (PCIs) – Hospitals have been faced with significant clinical and economic decisions related to the adoption of new technologies such as drug eluting stents (DES). CMS made an unprecedented move to reimburse hospitals differently for drug eluting stents as they were introduced to the market, and continues to refine how hospitals are paid for this evolving technology and clinical application.

CMS has made several refinements to the DRG methodology related to DES over the last several years. This year's change of 1% and 3%, respectively, to DRGs 557 (DES with Major CV Condition) and 558 (DES without major CV Condition) is significantly lower than the reduction of up to 33% initially released. This change may have its genesis in the decreased price of stents, especially as more companies receive FDA approval for parallel devices.

Despite this lessened reduction in reimbursement, hospitals must continue to monitor and manage stent use per case and supply costs. Standardized processes through order sets, aggressive group purchasing negotiations, and inventory management processes such as just-in-time ordering, self-pricing, and consignment, can help ensure cost savings across all cardiovascular areas.

Additionally, hospitals must accurately capture the severity of illness in CV patients using the new severity-adjusted DRGs. Diligent attention is required to understand and appropriately apply the CMS classification system that recognizes and compensates for the resources expended for taking care of more complex patients. Education for physicians and coders may be required to assure a comprehensive approach to correct documentation and coding processes.

Cardiac Pacemakers and Defibrillators (ICDs) – Pacemakers and ICDs are devices that have historically carried hefty price tags. With a growing patient eligibility pool, hospitals face difficult decisions and management challenges in providing devices and procedures for those patients who need them most. Utilization of these advanced and increasingly expensive devices must be determined through a collaborative process with physicians and other clinicians.

Corazon advocates the development of sound patient-selection criteria for device implantation as one way to document and monitor patient eligibility for these devices. Physicians, clinicians, and administration should regularly review adherence to these standards, along with the application of the selection criteria. Again, cost containment and device utilization and appropriateness are critical elements in managing current and future CMS reimbursement changes.

Though pacemakers and ICDs experienced only modest adjustments for 2007, (reimbursement for pacemakers increased 3%, while reimbursement for ICDs decreased 2%), in the future, the application of the CMS cost-based methodology will need to recognize the **significant percentage** of costs-per-case related to these devices.

Carotid Stenting – Stenting provides a less-invasive approach to the treatment of carotid artery disease. The adoption of this new procedure has been tightly-regulated through patient-selection criteria and the requirement of programs to be considered a “Medicare-approved” facility. According to the CMS website, there are 934 certified facilities in the U.S. In an effort to track and appropriately reimburse hospitals for this new treatment option, CMS has created DRG 577 for this procedure. This new DRG provides for a 39% increase (weighted average) over DRGs 533 and 534 that had been used primarily for the surgical carotid endarterectomies.

A uniform approach to credentialing using criteria for determining who will perform these procedures (Interventional Radiologist, Interventional Cardiologist, or Vascular Surgeon), and what education, experience, and competency they should demonstrate, must be considered. This can be a difficult and contentious process in some hospitals, as various medical disciplines must agree to a unified credentialing and re-credentialing approach.

Despite the modest financial impact of these changes this year, it remains extremely important for hospitals to track and report costs accurately, ensure accurate coding and documentation, refine supply and device management processes, and develop patient selection criteria to ensure continued and improved financial performance of their cardiovascular service line. Failure to anticipate future CMS reimbursement changes and make necessary adjustments as they occur may result in similar concerns this time next year, when further changes are expected...

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