Part B Insider (Multispecialty) Coding Alert

Medications: Medicare Should Raise Prices Retroactively For Pricey Drugs, Docs Say

Docs don't understand difference between observation, inpatient admission

The **Centers for Medicare & Medicaid Services** isn't providing enough information on drug cuts and won't have a sure-fire way to find out how the cuts affect providers.

Physicians presented those complaints to the Nov. 22 meeting of the **Practicing Physicians Advisory Council.** PPAC passed resolutions calling on CMS to post raw data on third quarter 2004 drug prices on its Web site right away, because that data will determine the rates CMS pays starting in January. And PPAC also called on CMS to have a means to collect information on whether providers can afford to obtain drugs at the average sales price (plus 6 percent) levels.

If physicians are unable to obtain drugs at ASP plus 6 percent rate, CMS should be able to raise the payments and make the hike retroactive to the beginning of the quarter, PPAC insisted in a resolution.

PPAC members complained bitterly that the ASP methodology assumes they can obtain drugs at the manufacturer's price, when in fact they're buying drugs from wholesalers who add up to 25 percent in surcharges to the ASP levels.

Meanwhile, oncologists weren't sure if they'd receive the full $130 per patient per day that CMS has allocated for its cancer care demonstration project. If secondary payors fail to recognize the G-codes they're supposed to bill in this project, oncologists may have a hard time collecting the $26 copayment from them. CMS officials conceded that secondary payors may refuse to recognize the new G-codes and providers may have to bill them multiple times to obtain payment for the portions that Medicare doesn't pay for.

Other topics covered at the PPAC meeting include:

RVU Updates. Every five years, CMS and the AMA's Relative Value Update Committee (RUC) reconsider the RVUs of existing codes. This time around, CMS will be looking at high-volume services that used to be performed in an inpatient setting, but are now mostly performed in an outpatient setting, according to CMS officials.

Observation. CMS officials asked PPAC to help find ways to educate physicians on the difference between an inpatient admission and admitting a patient for observation. Often, a doctor will simply write "admit" and let the hospital and others decide whether he or she meant an inpatient admission or observation. Hospitals receive sharply different payment for observation versus inpatient admissions, they noted.

But the complex rules about hospital admissions frustrate physicians, PPAC members countered. One doctor asked why the hospital shouldn't be the one to decide whether a patient's level of care constituted outpatient or inpatient care. Also, physicians asked why it's so difficult to admit a patient as an inpatient and then reduce the patient's status to observation if the patient's condition improves. It's fairly easy to go from observation to inpatient admission, but not vice versa, they noted.