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**CMS PROPOSES QUALITY IMPROVEMENTS AND OTHER CHANGES FOR
HOSPITAL OUTPATIENT
AND AMBULATORY SURGICAL CENTER SERVICES FOR 2009**

The Centers for Medicare & Medicaid Services (CMS) today issued a proposed rule that will update payment rates for calendar year (CY) 2009 and improve quality of services provided in hospital outpatient departments and ambulatory surgical centers (ASCs). The proposed rule builds on efforts across Medicare to transform the program into a prudent purchaser of health care services, paying based on quality of care, not just quantity of services.

“As more and more health care services shift from the inpatient to the outpatient setting, we are committed to working with hospitals to ensure that people with Medicare have access to high quality care in an appropriate setting,” said CMS Acting Administrator, Kerry Weems. “The changes proposed for 2009 are intended to give hospitals greater flexibility to manage their resources and give them incentives to improve efficiency so that both beneficiaries and taxpayers get the most value for their health care dollar.”

The proposed rule will update rates paid under both the Outpatient Prospective Payment System (OPPS) and the ASC Prospective Payment System (ASC PPS), which will be in the second year of a four-year transition that aligns ASC rates with the ambulatory payment classification (APC) groups that are used to pay for services in hospital outpatient departments.

The proposed rule includes a 3.0 percent annual inflation update to Medicare payment rates for most services that would be paid under the OPPS to more than 4,000 hospitals and community mental health centers in CY 2009. The proposed changes would affect outpatient services furnished by general acute care hospitals, inpatient rehabilitation facilities, inpatient psychiatric facilities, long-term acute care hospitals, community mental health centers, children’s hospitals, and cancer hospitals. CMS projects that hospitals would receive \$28.7 billion in CY 2009 for outpatient services furnished to Medicare beneficiaries. Furthermore, CMS expects to make payments of almost \$3.9 billion in CY 2009 to the approximately 5,300 ASCs that participate in Medicare.

In the past, the increase in Medicare's payment for outpatient services has not been specifically tied to the quality of health care. The law now requires that the annual OPSS payment inflation update be reduced by 2.0 percentage points for hospitals that do not meet quality reporting requirements. In order to receive the full OPSS payment update for services furnished in CY 2009, hospitals must report data in CY 2008 on seven quality measures of emergency department and perioperative surgical care. CMS is proposing to add four new measures of imaging efficiency to the seven existing quality measures for purposes of the CY 2010 update. CMS is also seeking public comment on eighteen additional potential quality measures in areas ranging from screening for fall risk to cancer care that are under consideration for future years.

To build on other efforts across the Medicare program to strengthen the connection between the quality of care and Medicare payment, CMS is seeking public comment on options and considerations for modifying payments for treating conditions that are generally preventable if the provider follows established guidelines. CMS is already implementing a similar policy for inpatient stays under authority granted in the Deficit Reduction Act of 2005, and beginning for discharges on or after October 1, 2008, CMS will no longer pay hospitals at a higher rate for treating certain conditions that have been determined to be reasonably preventable by following evidence-based guidelines, if they are acquired during an inpatient stay.

“A key part of CMS' value-based purchasing strategy is to link our payment to quality of care by providing incentives for hospitals to follow established guidelines and reduce the number of preventable conditions that occur as result of treatment,” said Weems. “The proposed changes are designed to improve the reliability and quality of health care services.”

CMS is also proposing to encourage greater efficiency by changing how it pays for imaging services when multiple services are provided in one session. Under the proposal, CMS would make a single payment for multiple services of a particular type (such as multiple ultrasound procedures) performed in a single hospital session. In addition to ultrasound, CMS is proposing to apply this policy to computed tomography and magnetic resonance imaging services. CMS is also proposing changes to the hospital Medicare cost report to improve the accuracy of future cost estimates used to determine payment for drugs and biologicals.

Under the proposed rule, the amount beneficiaries will pay for outpatient services would continue to decline based on a formula in the Medicare law that is designed to provide a gradual transition to 20 percent coinsurance. Prior to implementing the OPSS in CY 2000, beneficiaries were responsible for 20 percent of the hospital's charges, rather than 20 percent of the Medicare payment rate, for outpatient services. Because hospital charges rose faster over time than Medicare payment rates for these services, the beneficiary share often exceeded 50 percent of the total amount collected by the hospital for the service. CMS estimates that nearly 25 percent of all types of services furnished in hospital outpatient departments will be subject to the 20 percent coinsurance rate in CY 2009, up from 23 percent in CY 2008. However, the services that will be subject to the 20 percent coinsurance rate in CY 2009 represent a larger proportion of the total number of claims for services paid under the OPSS. As a result, CMS estimates that Medicare beneficiaries overall will be responsible for approximately 23 percent of total payments for Medicare covered outpatient services in CY 2009.

Comments on the proposed rule will be accepted until September 2, 2008, and a final CY 2009 OPSS/ASC payment rule will be issued by November 1, 2008.

For more information on the CY 2009 proposals for the OPSS and ASC payment system, please see the CMS Web site at:

OPSS: <http://www.cms.hhs.gov/HospitalOutpatientPPS/>

ASC payment system: <http://www.cms.hhs.gov/ASCPayment/>

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