

## **Process and Information Required to Apply for Additional Device Categories for Transitional Pass-Through Payment Status Under the Hospital Outpatient Prospective Payment System**

### **GENERAL APPLICATION PROCESS FOR ADDITIONAL DEVICE CATEGORIES**

This guidance describes the process and information required for applications requesting additional categories for medical devices that may be eligible for transitional pass-through payment under the Medicare hospital outpatient prospective payment system (OPPS). The intent of transitional device pass-through payment, as implemented at 42 CFR 419.66, is to facilitate access for beneficiaries to the advantages of new and truly innovative devices by allowing for adequate payment for these new devices while the necessary cost data is collected to incorporate the costs for these devices into the procedure APC rate.

#### References:

Refer to the interim final rule with comment period in the November 2, 2001 *Federal Register* and the final rule with comment period in the November 1, 2002 *Federal Register* (67 FR 66781) and the modifications to certain criteria in the November 10, 2005 (70 FR 68628) final rule with comment period for a full discussion of the criteria for establishing additional pass-through categories for medical devices. Refer to the November 20, 2009 *Federal Register* (74 FR 60471) for modifications to the pass-through process for implantable biological products. Refer to the November 10, 2015 *Federal Register* (79 FR 66885) for modifications to the pass-through process for skin substitutes. When referring to the device application process and information requirements in this document, implantable biologicals and skin substitutes are also included. Refer to the interim final rule with comment period in the November 13, 2015, *Federal Register* (80 FR 70416) for modifications to the pass through process and the addition of a newness criterion. These rules can currently be found at <http://www.cms.gov/HospitalOutpatientPPS>.

#### Timeline for Submissions:

We will accept transitional pass-through applications for additional categories for medical devices on an ongoing basis. However, we must receive applications sufficiently in advance of the first calendar quarter in which transitional pass-through payment is sought to allow time for analysis, decision-making, and systems changes. The table below indicates the earliest date that pass-through status could be implemented once a completed application and all additional information are received.

<b>Complete application submitted by the first business date in:</b>	<b>Earliest effective date for pass-through status:</b>
March	July 1
June	October 1
September	January 1
December	April 1

Beginning in CY 2016, all device pass-through applications will go through the OPPS annual rulemaking process in addition to being evaluated on a quarterly basis. Applications approved during the quarterly process will receive a pass-through effective date at the start of the next quarter after approval, and subsequently we would either finalize device pass-through payment status or discontinue pass-through payment status in the final rule. In the unusual case in which an applicant is approved during the quarterly process and then a decision is made in rulemaking to reverse the approval, the applicant could reapply with new information, in advance of the following year's proposed rule, as long as the device is still new (i.e., reapplication is within 3 years of initial FDA approval or clearance).

For applications not approved during the quarterly review process, through rulemaking we would either approve device pass-through payment or deny the application for pass-through payment in the applicable final rule. Applicants who are not approved during the quarterly review process may withdraw their applications if they do not wish to go through the rulemaking process. If such a decision is made, the application will be considered to be denied.

Because CMS intends to make application information available to the public for analysis and comment, applicants are advised that any information submitted, such as research findings and financial data, is subject to disclosure and publication through annual rulemaking. If you are providing data or information that is proprietary or otherwise protected from disclosure under the Trade Secrets Act or Exemption 4 under the Freedom of Information Act, please mark this information as such. CMS will attempt, to the extent allowed by Federal law, to keep this information protected from public view

### **Who may apply?**

Device, implantable biological, skin substitute manufacturers, or other interested parties may apply for a new device category for transitional pass-through payments.

### **Can a device be included in more than one category?**

No. The law requires that new categories be established in such a way that no medical device is described by more than one category.

### **Are there cost requirements for devices in new categories?**

The law requires that the average cost of devices included in a new category be “not insignificant” relative to the payment amount for the procedure(s) or service(s) with which the device is associated. The definition of “not insignificant” cost is described below and also in the November 2, 2001 interim final rule.

### **How are combination products evaluated?**

For combination products (e.g., a product that has a device component and a drug or biological component), CMS initially evaluates the product to determine which component is the key therapeutic or diagnostic component, similar to FDA's “primary mode of action” determination for assignment to a lead center with primary jurisdiction. Our determination of the key component is typically consistent with FDA's primary mode of action determination. However, our key component determination may be different from FDA's primary mode of action determination. After this initial evaluation we then evaluate the item under the device or drug and biological pass-through process, as appropriate.

**What are the criteria that a device must meet to be eligible for a transitional pass-through payment?**

To be included in a category a device (including an implantable biological or skin substitute) must meet all of the following criteria:

1. If required by the FDA, the device must have received FDA approval or clearance. This requirement is met if a device has received an FDA investigational device exemption (IDE) and has been classified as a Category B device by the FDA in accordance with §§405.203 through 405.207 and 405.211 through 405.215 of Title 42 of the Code of Federal Regulations or has received another appropriate FDA exemption.
2. The device must —
  - a. Be an integral part of the service furnished;
  - b. Be used for one patient only;
  - c. Come in contact with human tissue; and
  - d. Be surgically implanted or inserted (either permanently or temporarily) or applied in or on a wound or other skin lesion.
3. The device is not any of the following:
  - a. Equipment, an instrument, apparatus, implement, or item of this type for which depreciation and financing expenses are recovered as depreciable assets as defined in Chapter 1 of the Medicare Provider Reimbursement Manual (CMS Pub. 15-1).
  - b. A material or supply furnished incident to a service (for example, a suture, customized surgical kit, scalpel, or clip, other than radiological site marker).

**What are the criteria that CMS uses to establish a new category of devices?**

1. Beginning with applications submitted on or after January 1, 2016, a device will only be eligible for transitional pass-through payment under the OPSS if, in cases where the device requires FDA approval or clearance, the device meets the newness criterion; that is, the date of original FDA approval or clearance (or in certain documented cases U.S. market availability) is within 3 years of the application date for transitional pass-through payment. Category B IDE devices that have not yet received FDA approval will be considered new.
2. A device to be included in a proposed new category is not appropriately described by any of the existing (either currently active or expired) categories established for transitional device pass-through payments. A complete list of established device categories used presently or previously for pass-through payment is found on the OPSS web site, currently under [http://www.cms.gov/HospitalOutpatientPPS/04\\_passthrough\\_payment.asp](http://www.cms.gov/HospitalOutpatientPPS/04_passthrough_payment.asp). A category of devices does not appropriately describe the new device if the applicant adequately demonstrates that the candidate device is not similar to devices (including related predicate devices) included in an existing category. In addition, the applicant must demonstrate substantial clinical improvement, discussed below, as described in the November 10, 2005 OPSS final rule (70 FR 68630-68631).
3. A device to be included in the category was not being paid for as an outpatient service as of December 31, 1996.

4. **Substantial Clinical Improvement:** CMS determines that a device to be included in the category will substantially improve the diagnosis or treatment of an illness or injury or improve the functioning of a malformed body part compared to at least one other currently available and appropriate treatment or diagnostic test (i.e. considered a standard of care, currently in use and utilized by the Medicare population). Whether a candidate device provides substantial clinical improvement is evaluated by one or more of the following:
- a. The device offers a treatment option for a patient population unresponsive to, or ineligible for, currently available treatments.
  - b. The device offers the ability to diagnose a medical condition in a patient population where that medical condition is currently undetectable or offers the ability to diagnose a medical condition earlier in a patient population than is currently possible and this earlier diagnosis results in better outcomes. There must also be evidence that use of the device to make a diagnosis affects the management of the patient.
  - c. Use of the device significantly improves clinical outcomes for a patient population as compared to currently available treatments. Some examples of outcomes that are frequently evaluated in studies of medical devices are the following:
    - Reduced mortality rate with use of the device.
    - Reduced rate of device-related complications.
    - Decreased rate of subsequent diagnostic or therapeutic interventions (e.g., due to reduced rate of recurrence of the disease process).
    - Decreased number of future hospitalizations or physician visits.
    - More rapid beneficial resolution of the disease process treated because of the use of the device.
    - Decreased pain, bleeding, or other quantifiable symptom.
    - Reduced recovery time.

**How does CMS determine whether the cost of devices that would be included in an additional category is “not insignificant”?**

CMS considers the average cost of devices that would be included in an additional category and that are being marketed at the time the category is established to be “not insignificant” if the following conditions are met:

1. The estimated average reasonable cost of devices in the category exceeds 25 percent of the applicable APC payment amount for the service associated with the category of devices.
2. The estimated average reasonable cost of the devices in the category exceeds the cost of the device-related portion of the APC payment amount for the service associated with the category of devices by at least 25 percent.
3. The difference between the estimated average reasonable cost of the devices in the category and the portion of the APC payment amount determined to be associated with the device in the associated APC exceeds 10 percent of the total APC payment.

**How long is a new category eligible for a pass-through payment?**

A new device category is eligible for a pass-through payment for at least 2 years, but not more than 3 years beginning on the date that CMS establishes the category.

**Where can I find more information about past or current transitional pass-through payments for categories of medical devices?**

A complete list of established device categories used presently or previously for pass-through payment is found on the OPPTS web site, currently under

[http://www.cms.gov/HospitalOutpatientPPS/04\\_passthrough\\_payment.asp](http://www.cms.gov/HospitalOutpatientPPS/04_passthrough_payment.asp).

**TEMPLATE FOR APPLICATION SUBMISSION**

To enable CMS to make an appropriate determination that the criteria for an additional category of new medical devices are met, applications for an additional device category **must** include all of the information listed below. A separate application is required for each distinct additional category that is being requested. An application that does not include all of the following information is considered incomplete and cannot be acted upon. Please supply the following information:

- A. Proposed name or description for the additional category.
- B. Trade/brand names of any known devices fitting the proposed additional category. (Applications must include the name and description of at least one marketed medical device, or device with a Category B investigational device exemption, that would be placed in the proposed additional category.)
- C. A list of all **established device categories used presently or previously for pass-through payment** that describe related or similar products. For each established device category, provide a detailed explanation as to why that category does not encompass the nominated device(s).
- D. Detailed description of the clinical use(s) of each nominated device requiring an additional category.

**Describe each nominated device fully:**

1. What is it? Provide a complete physical description of the device including its components, e.g., hardware, software, reservoir, tubing, its composition, coating, or covering.
2. What does it do?
3. How is it used?
4. What makes it different from similar products of the same type?
5. What are its clinical characteristics, e.g., is it used for diagnosis or treatment, what is its life span, what are the complications associated with its use, for what disease processes and patient populations is it used?
6. Submit relevant booklets, pamphlets, brochures, product catalogues, price lists, and/or package inserts that further describe and illuminate the nature of the nominated device.
7. Using Healthcare Common Procedure Coding System (HCPCS) Level I and/or Level II code(s), list all of the specific procedure(s) and/or services with which the nominated device is used. HCPCS Level I is the American Medical Association's *Current Procedural Terminology* (CPT); HCPCS Level II National Codes are alpha-numeric codes that describe medical services and supplies not contained in CPT.

8. If a device replaces or improves upon an existing device, identify the trade/brand name of the existing device and any HCPCS Level I and/or Level II code(s) used to identify the existing device.
9. Identify by name and manufacturer similar devices that would also become eligible for transitional pass-through payment under the proposed additional category, insofar as this information is known to the applicant.

E. Substantial Clinical Improvement information:

Provide a full discussion of the evidence supporting the proposition that the device for which an additional category is requested meets the substantial clinical improvement criterion. This discussion must include evidence to demonstrate that the device under consideration satisfies one or more of the measures of “substantial clinical improvement” that are listed above in this announcement. While we prefer published peer-reviewed clinical trials, we will consider all supporting evidence.

For each claim of substantial clinical improvement over existing technologies, in table format (see sample table 1 below), list the claim of substantial clinical improvement and summarize the supporting information to include relevant clinical trial(s) or data. The application is incomplete without this table.

F. Sales and Marketing:

Provide the following information for the device(s) for which an additional category is proposed:

1. Date the device for which an additional category is requested was first marketed--
  - a. In the United States
  - b. Outside the United States
2. Date of sale of first unit of the device nominated for an additional category--
  - a. In the United States
  - b. Outside the United States
3. Number of device(s) nominated for an additional category that have been sold up to the date of the application.
4. Number of facilities currently using the nominated device.
5. Projected total annual utilization for both the nominated device and for the proposed device category as a whole.
6. Indicate the annual projected utilization of the nominated device in connection with each HCPCS with which it is used. For example, projected utilization in connection with CPT code A equals 300 cases using 1 device per case; utilization in connection with CPT code B equals 1500 cases using 3 devices per case; utilization in connection with HCPCS code C equals 50 cases with 6 devices required per case.
7. For each CPT code associated with a device, estimate annual utilization by site of service, that is, for HCPCS code A, projected utilization is 40% hospital outpatient, 30% ambulatory surgical center, 10% hospital inpatient, 20 % physician office.

G. Cost:

Indicate the current cost of the device to hospitals, that is, the actual cost paid by hospitals for the device net of all discounts, rebates, and incentives in cash or in kind. In other words, submit the best and latest information available that provides evidence of the hospitals' actual cost for the nominated device.

H. FDA Approval:

1. If the device requires approval or clearance by the Food and Drug Administration (FDA), submit a copy of the FDA approval/clearance letter.
  2. Summary of Safety and Effectiveness
  3. If the device has an investigational device exemption (IDE), submit the FDA approval letter and indicate whether it is a “Category B” IDE.
  4. If the device is covered by a guidance document or is exempt from FDA approval or clearance, provide the complete citation of the guidance level regulation or exemption from approval or clearance.
  5. If a new category of devices is exempt from FDA approval or clearance, or the FDA has chosen an alternate regulatory scheme (e.g., guidance documentation during a defined period of time), then the applicant should so state, along with supporting references and citations.
  6. Date of FDA approval or clearance. If necessary, submit the date of U.S. market availability and documentation verifying delay between FDA approval and market availability.
- I. Contact Information: Name(s), address(es), e-mail address(es) and telephone number(s) of the party or parties making the request and responsible for the information contained in the application. If different from the requester, give the name, address, e-mail address, and telephone number of the person that CMS should contact for any additional information that may be needed to evaluate the application.
- J. Other information as CMS may require in order to evaluate specific requests or that the applicant believes CMS may need to evaluate the application.

**Where are applications to be sent?**

Mail 5 copies of each completed application, at least one of which should be an unbound copy, to the following address:

OPPS Additional Pass-Through Category of  
Device Division of Outpatient Care  
Mailstop C4-04-25  
Centers for Medicare and Medicaid  
Services 7500 Security Boulevard  
Baltimore, MD 21244-1850

**Electronic copy requirement:**

Send the entire application, including all attachments and appendices, via email to [DevicePTapplications@cms.hhs.gov](mailto:DevicePTapplications@cms.hhs.gov). Email versions of the application must be compatible with standard CMS software, such as Adobe Acrobat 9.0 and Microsoft Word 2013. The email copy of the application does not substitute for the hard copies required. We do not accept applications by facsimile (FAX). Questions pertaining to the pass-through payment application process may also be sent via e-mail to the electronic mailbox noted above.

**Table 1: Summary of Substantial Clinical Improvement highlights that support the asserted substantial clinical improvement claim(s).**

Item number	Substantial Clinical Improvement Claim	Supporting evidence/ data  Please provide reference	Study Type (e.g., case series, case-control, randomized clinical trial) and comparator(s) if applicable	Page number and paragraph of cited study	For each row, if necessary, provide a 500 character summary of the information cited in this row
1a1.	Reduced mortality rate in comparison to competitor drug/device	Doe, et al, "Reducing mortality in disease X population: - analysis," <i>JAMA</i> 2019, vol. 2(5), pp. 12-23.	RCT	Pg. 12 methodology	RCT used to compare mortality rates between Drug 123 vs. 789 for disease X resulting in a 5% decrease in mortality rate for Drug 123 (p=0.02)
1a2.	Reduced mortality rate in comparison to competitor drug/device	Doe, et al, "Reducing mortality in disease X population: - analysis," <i>JAMA</i> 2019, vol. 2(5), pp. 12-23.	RCT	Pg. 13 control and test arm description	Pertinent exclusion criteria were (only list exclusion criteria that is pertinent to supporting the reduced mortality rate) Controls were equally distributed among gender, race, and socioeconomic status. Both arms started drug 123 and 780 at baseline.
1a3.	Reduced mortality rate in comparison to competitor drug/device	Doe, et al, "Reducing mortality in disease X population: - analysis," <i>JAMA</i> 2019, vol. 2(5), pp. 12-23.	RCT	Pg. 14 mortality rate results	3,6 and 9 months indicated statistically significant decreases in mortality rates for drug 123 w p- values 0.02, 0.05, 0.03 respectively.
1b.	Reduced mortality in comparison to	Smith, J et al. "Mortality rate improvement using XXX in comparison to	Case <i>Control</i>	Pg. 234 methodology	4 indicated statistically significant decreases in mortality rates for drug 123 w p- value 0.02

	competitor drug/device	current therapy with YYY. Lancet 2019, vol. 15, pp 230-245		Pg. 240 mortality rate	
2.	Decreased rate of subsequent diagnostic or therapeutic interventions	Doe, et al, "Reducing mortality in disease X population: - analysis," <i>JAMA</i> 2019, vol. 2(5), pp. 14.	Meta-Analysis	Pg. 14	Studies demonstrate lower length of stay which results in less interventions.
3.	Decreased number of future hospitalizations or physician visits	Case Study Data from Physicians	Collected by applicant and not published	Supplemental Document provided in application	Compared outcomes within 30 days which demonstrated lower readmission rate.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0938-0857. The time required to complete this information collection is estimated to average 16 hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.