

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



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- ["ICD-10-CM/PCS The Next Generation of Coding,"](#) Fact Sheet, ICN 901044, Downloadable and Hard Copy.

MLN Matters® Number: MM8349 **Revised**

Related Change Request (CR) #: CR 8349

Related CR Release Date: August 16, 2014

Effective Date: January 1, 2014

Related CR Transmittal #: R12800TN

Implementation Date: January 6, 2014

Ambulatory Surgical Center Quality Reporting (ASCQR) Program Payment Reduction (MIEA-TRCHA, 2006) - Implementation

Note: This article was revised on January 16, 2014, to remove an erroneous reference to Remittance Advice Remarks Code N552 that had been on page 4. All other information remains the same.

Provider Types Affected

This MLN Matters® Article is intended for physicians and Ambulatory Surgical Centers (ASCs) submitting claims to Medicare contractors (carriers and A/B Medicare Administrative Contractors (MACs)) for services to Medicare beneficiaries and paid under the ASC payment system.

What You Need to Know

This article is based on Change Request (CR) 8349, which instructs Medicare contractors to implement payment reductions for those ASCs that do not successfully meet ASC Quality Reporting Program Requirements. Please be sure your staffs are aware of the reporting requirements and the application of the ASCQR Program penalties.

Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents. CPT only copyright 2012 American Medical Association.

Background

The Centers for Medicare & Medicaid Services (CMS) implemented a quality reporting program for ASCs in the Calendar Year (CY) 2012 Outpatient Prospective Payment System (OPPS)/ASC final rule with comment period (76 Federal Register (FR) 74492 to 74517), finalizing additional program policies in the Fiscal Year (FY) 2013 Inpatient Prospective Payment System (IPPS)/Long Term Care Hospital (LTCH) final rule with comment period (77 FR 53637 to 53644).

Beginning with January 1, 2014 services, ASCs that do not successfully meet ASCQR Program requirements shall be subject to a payment reduction.

Section 109(b) of the Medicare Improvement and Extension Act of 2006 under Division B, Title I of the Tax Relief and Health Care Act of 2006 (MIEA-TRCHA; Pub. L. 109-432) amended Section 1833(i) of the Social Security Act to state that the Secretary may provide that any ASC that does not submit quality measures to the Secretary in accordance with paragraph (7) shall incur a 2.0 percentage point reduction to any annual increase provided under the revised ASC payment system for such year. Any facility that receives Medicare payment under part B as an ASC and is subject to this annual payment increase, whether independent or operated by a hospital, is subject to these provisions.

The application of a reduced ASC Fee Schedule (ASCFS) update results in reduced national unadjusted payment rates that will apply to certain ASC services provided by Medicare certified ASCs that fail to meet the ASCQR Program requirements. All other ASCs paid under the CY 2014 ASC payment system will receive the full ASC payment update without the reduction.

For the first affected payment update, that is, for CY 2014, CMS will analyze Fee-For-Service claims data from dates of service October 1, 2012, to December 31, 2012, paid by the Medicare administrative contractor by April 30, 2013, to determine if an ASC successfully meets ASCQR Program requirements. ASCs that are not successful, and are subject to these requirements, will be subject to the payment reduction to the CY 2014 payment rates. The processing of claims with the reduced ASCFS payment rates for certain ASCs constitutes the application of the ASCQR Program penalty.

Participation in the ASC Quality Reporting Program

ASCs will be deemed successful and not penalized, for purposes of the ASCQR Program by meeting program requirements during a specified reporting period. For purposes of the CY 2014 payment determination, ASCs must report Quality Data Codes (QDCs) on Medicare Part B claims submitted for reimbursement using the CMS-1500 or related electronic data set and must meet data completeness requirements. The QDCs for reporting are outlined in Change Request (CR) 7754, transmittal 2425, dated March 16, 2012, available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2425CP-.pdf> on the CMS website. The QDCs are also outlined in the MLN Matters® Article MM7754, which is available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/MM7754.pdf> on the CMS website.

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Determination of whether an ASC failed to meet quality reporting requirements will be made by CMS, at the individual supplier level, based on the billing ASC facility's National Provider Identifier (NPI).

The payment reduction under the ASCQR Program applies to certain Medicare Part B covered ASC services subject to the ASC annual payment update. The payment reduction per statute is a 2.0 percentage point reduction to any payment update provided under the revised ASC payment system for the year applied. CMS will supply the reduced payment rates to contractors as part of the ASCFS update.

ASC module programming will be applied to the quality penalty reduced payment rates on the ASCFS in the same manner and order as is applied to the non-reduced ASCFS schedule amount. For example, in Calendar Year (CY) 2014, the ASCFS amount for a particular service is \$100. If the ASC is not subject to a payment reduction, the paid amount the ASC will receive is \$80 [$\100 (the allowed ASC fee schedule amount) - $(\$100 \times 20\%$ (beneficiary co-pay) = \$80]. However, if the ASC is subject to a 2.0 percentage point payment reduction due to not successfully meeting ASCQR Program requirements, the 2.0 percentage point reduction will be applied to the initial allowed ASCFS payment. As such, the reduced ASCFS amount is \$98. If the beneficiary co-pay is 20%, the beneficiary will pay $\$98 \times 20\% = \19.60 . The paid amount to the ASC accounting for the payment reduction will, thus, be $\$98 - \$19.60 = \$78.40$.

Process for Removing an ASC from the ASCQR Program Payment Reduction

If an ASC believes that a payment reduction was applied in error, the ASC may apply for reconsideration to CMS through a process which was finalized in the FY 2013 IPPS/LTCH final rule with comment period (77 FR 53643). An ASC seeking a reconsideration of a quality reporting payment determination must submit to CMS a completed Reconsideration Request Form by March 17 of the affected payment year. CMS would complete any reconsideration reviews and communicate the results of these determination to the designated ASC staff.

If CMS determines through the reconsideration process that a payment reduction was applied in error, CMS will notify contractors to remove the ASC from the payment reduction via an ASC Quality Penalty List update file that will be supplied to contractors. This ASC Penalty List update file will be sent to contractors up to five times per month at weekly intervals; these will be full replacement files.

Two actions will occur when the contractor receives notice that an ASC is to be removed from the payment reduction. First, the contractor shall no longer process claims submitted by the ASC identified in error using the reduced payment rates. Second, the contractor shall reprocess all claims affected by the reduced payment rates for that supplier for that calendar year no later than 45 days after receipt of the notification to remove the ASC from the payment reduction. The reduced payment rates are only applied as an entire "calendar year" adjustment. ASCs will not be added to the annual ASC Quality Penalty List during the year; therefore, partial year reduced payment rates will not be assessed.

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NOTE: The 2 percentage point reduction only impacts the ASCFS. It does not apply to or impact codes appearing on the ASCDRUG file, the ASCPI file code assignments, or the ASC Code Pair file.

Claim Adjustment Reason Code (CARC) and Remittance Advice Remark Codes (RARCs) Used to Communicate Reduced Payments.

Beginning January 1, 2014, Medicare will use the following messages for the ASCs receiving the reduced payment amount on the ASCFS:

- Claim Adjustment Reason Code (CARC) 237 - Legislated/Regulatory Penalty. At least one Remark Code must be provided (may be comprised of either the NCPDP Reject Reason Code, or Remittance Advice Remark Code that is not an ALERT).
- Remittance Advice Remark Code (RARC): N551 - Payment adjusted based on the Ambulatory Surgical Center (ASC) Quality Reporting Program.
- CARC 237 - Legislated/Regulatory Penalty. At least one Remark Code must be provided; this Remark Code may be comprised of either the NCPDP Reject Reason Code, or Remittance Advice Remark Code that is not an ALERT.

Additional Information

The official instruction, CR8349, issued to your MAC regarding this change, may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R1280OTN.pdf> on the CMS website.

MLN Matters® Article MM7754 "April 2012 Update of the Ambulatory Surgical Center (ASC) Payment System" is available here <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/MM7754.pdf> on the CMS website.

Transmittal 2425 CR7754 outlines the ASC Quality Measures, it is available here <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2425CP-.pdf> on the CMS website.

If you have any questions, please contact your MAC at their toll-free number, which may be found at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html> on the CMS website.

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