



## AMBULATORY SURGICAL CENTER PAYMENT SYSTEM



**Target Audience:** Medicare Fee-For-Service Providers

The Hyperlink Table, at the end of this document, provides the complete URL for each hyperlink.

Learn about these Ambulatory Surgical Center (ASC) Payment System topics:

- Definition of an ASC
- ASC payment
- Payment rates
- Updates to the ASC Payment System
- Ambulatory Surgical Center Quality Reporting (ASCQR) Program
- Resources

When we use “you” in this publication, we are referring to ASCs.

## DEFINITION OF AN ASC

For Medicare purposes, an ASC is a distinct entity that operates exclusively to furnish surgical services to patients who do not require hospitalization and in which the expected duration of services does not exceed 24 hours following admission. This definition applies to the ASC no matter who the payor is for the ASC's services. Additionally, services to Medicare patients are not expected to require active medical monitoring at midnight on the day of the procedure when furnished in an ASC (see discussion in the ASC Payment section).

You must be certified as meeting the requirements for an ASC and enter into an agreement with the Centers for Medicare & Medicaid Services (CMS) to be eligible for Medicare payment. An ASC can be either:

- Independent (not part of a provider of services or any other facility) or
- Operated by a hospital (under the common ownership, licensure, or control of a hospital), in which case it must:
  - Be a separately identifiable entity separately certified and enrolled in Medicare with a supplier approval and agreement that is distinct from the hospital's Medicare provider agreement
  - Be physically, administratively, and financially independent and distinct from other operations of the hospital
  - Treat costs for the ASC as a non-reimbursable cost center on the hospital's cost report
  - Agree to the same assignment, coverage, and payment rules applied to independent ASCs and
  - Comply with the conditions for coverage for ASCs



An ASC operated by a hospital is not the same as a provider-based outpatient surgery department of a hospital. A provider-based outpatient department of a hospital, including an outpatient surgery department:

- May be on- or off-campus
- Must be an integral part of the hospital, subject to the hospital conditions of participation and
- Is not separately enrolled and certified in Medicare or subject to ASC conditions for coverage

An ASC may not be provider based to a hospital.

## ASC PAYMENT

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For services furnished on and after January 1, 2008, in accordance with the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003, CMS implemented a revised ASC Payment System using the Outpatient Prospective Payment System (OPPS) relative payment weights as a guide. The [ASC Final Rule \(CMS-1517-F\)](#) published the policies for the revised ASC Payment System in the Federal Register on August 2, 2007.

The ASC Final Rule greatly expanded the types of procedures eligible for payment in the ASC setting and excluded from eligibility only those procedures that pose a significant safety risk to patients or are expected to require active medical monitoring at midnight on the day of the procedure when furnished in an ASC. The rule also provided a 4-year transition to the fully implemented revised ASC payment rates.

Beginning with the [FY 2008 OPPS/ASC Final Rule with Comment Period \(CMS-1392-FC\)](#), the annual update OPPS/ASC Final Rule with Comment Period provides the ASC payment rates and lists the surgical procedures and services that qualify for separate payment under the revised ASC Payment System.

Medicare makes a single payment to ASCs for covered surgical procedures, including ASC facility services furnished in connection with the covered procedure. Examples of covered ASC facility services paid through the payment for covered surgical procedures include:

- Nursing services, services furnished by technical personnel, and other related services
- Drugs and biologicals for which separate payment is not made under the OPPS, surgical dressings, supplies, splints, casts, appliances, and equipment
- Administrative, recordkeeping, and housekeeping items and services
- Blood, blood plasma, and platelets, with the exception of those to which the blood deductible applies
- Materials for anesthesia
- Intraocular lenses
- Implantable devices, with the exception of those devices with pass-through status under the OPPS and
- Radiology services for which payment is packaged under the OPPS

You are also separately paid for covered ancillary services integral to a covered surgical procedure that you bill, specifically certain services furnished immediately before, during, or immediately after the covered surgical procedure. Covered ancillary services include:

- Drugs and biologicals separately paid under the OPPS
- Radiology services, integral to the surgical procedure, separately paid under the OPPS
- Brachytherapy sources
- Implantable devices with OPPS pass-through status and
- Corneal tissue acquisition

Certain services may be furnished in ASCs and billed by the appropriate certified provider or supplier. This table provides examples of payment and billing for items or services not included in ASC payments for covered surgical procedures or covered ancillary services.

### Examples of Items and Services Not Included in ASC Payments for Covered Surgical Procedures or Covered Ancillary Services

Items or Services Not Included	Who Receives Payment	Where to Submit Bills
<b>Physicians' Services</b>	Physician	Medicare Administrative Contractor (MAC)
<b>Purchase or Rental of Non-Implantable Durable Medical Equipment (DME) to ASC Patients for Use in Their Homes</b>	DME supplier A supplier of DME must have a DME supplier number from the National Supplier Clearinghouse (NSC) and a separate National Provider Identifier (NPI) An ASC may not simultaneously be a DME supplier	Durable Medical Equipment Medicare Administrative Contractor (DME MAC)
<b>Non-Implantable Prosthetic Devices</b>	DME supplier A supplier of DME must have a DME supplier number from the NSC and a separate NPI An ASC may not simultaneously be a DME supplier	DME MAC
<b>Ambulance Services</b>	Certified ambulance supplier	MAC
<b>Leg, Arm, Back, and Neck Braces</b>	DME supplier	DME MAC
<b>Artificial Legs, Arms, and Eyes</b>	DME supplier	DME MAC
<b>Services Furnished by Independent Laboratory</b>	Certified laboratory (ASC can receive laboratory certification and a Clinical Laboratory Improvement Amendments number)	MAC
<b>Facility Services for Surgical Procedures Excluded From the ASC List</b> (listed in Addendum EE to the OPPS/ASC Final Rule with Comment Period)	Not covered by Medicare	Patient is liable

The patient coinsurance for ASC-covered surgical procedures and covered ancillary services is 20 percent of the Medicare ASC payment after meeting the yearly Part B deductible. Section 4104 of the Affordable Care Act waives the coinsurance and deductible for certain preventive services paid under the ASC Payment System and recommended by the U.S. Preventive Services Task Force with a grade of A or B.

## PAYMENT RATES

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In the annual updates to the ASC Payment System, CMS sets relative payment weights equal to OPPS relative payment weights for the same services and then scales the ASC weights to maintain budget neutrality from year to year, as mandated by the MMA. ASC relative payment weights are scaled to eliminate any difference in the total payment weight between the current calendar year (CY) and the upcoming CY. The relative payment weights are scaled by:

- Holding ASC utilization and mix of services constant from the most recent full year of claims data available and
- Comparing the total payment weight using the current CY's ASC relative payment weights to the total payment weight using the applicable upcoming CY OPPS relative payment weights for covered ASC surgical procedures and separately payable ancillary services

This process takes into account the changes in the relative payment weights between the current and upcoming CYs. The ratio of the current CY to the upcoming CY total payment weight is the **weight scalar**, which is applied to the upcoming CY relative payment weights to maintain budget neutrality.

We annually adjust the ASC **conversion factor** (CF) for budget neutrality by removing the effects of changes in wage index values for the upcoming year as compared to values for the current year. In accordance with the MMA, beginning with CY 2010, the ASC CF may be updated annually by the Consumer Price Index for All Urban Consumers, in the absence of another update factor. As required by the Affordable Care Act, a productivity adjustment reduces the annual update factor for the ASC Payment System.

You receive the lesser of the actual charge or the ASC payment rate for each procedure or service. The standard payment rate for ASC-covered surgical procedures is the product of the ASC CF and the ASC relative payment weight for each separately payable procedure or service.

We use alternate methods to establish payments for office-based procedures, device-intensive procedures, covered ancillary radiology services, and drugs and biologicals. A geographic adjustment is made to payments for covered surgical procedures and certain covered ancillary services using the pre-floor and pre-reclassified hospital wage index values, with a labor-related factor of 50 percent. An adjustment is also made when multiple surgical procedures are furnished in the same encounter or when procedures are discontinued prior to their initiation or the administration of anesthesia.

This table provides brief information on the alternate methods to establish payment rates for some surgical procedures and ancillary services.

**Alternate Methods to Establish Payment Rates for Some Surgical Procedures and Ancillary Services**

Surgical Procedure/Ancillary Service	Payment Method
<b>Office-Based Procedures Furnished in Physicians' Offices at Least 50 Percent of the Time and CMS Classifies as "Office-Based"</b>	Payment is made at the lower of the ASC rate or the nonfacility practice expense (PE) relative value unit (RVU) amount of the Medicare Physician Fee Schedule (PFS) for the relevant year.
<b>Device-Intensive Procedures (ASC-Covered Surgical Procedures for Which the Estimated Device Offset Percentage Is Greater Than 40 Percent of the HCPCS Code's Mean Cost)</b>	Payment consists of a device-related portion of the procedure (payment is made at the same amount paid under the OPSS) and a service portion (calculated according to the standard rate setting methodology).
<b>Separately Payable Facility Costs of Covered Ancillary Radiology Services</b>	Payment is made at the lower of the ASC rate or the technical component or nonfacility PE RVU payment amount of the Medicare PFS for the same year (whichever applies).
<b>Separately Payable Drugs and Biologicals Under the OPSS</b>	Payment is made at the same amount paid under the OPSS.
<b>Brachytherapy Sources</b>	Payment is made at the same amount as OPSS rates if a prospective OPSS rate is available. Otherwise, you are paid at contractor-priced rates. These payments are not adjusted for geographic wage differences.

Under the ASC Payment System, you should submit claims on the CMS-1500 claim form.

## UPDATES TO THE ASC PAYMENT SYSTEM

For more information about ASC Payment System updates, refer to [CMS Issues Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System and Quality Reporting Programs Changes for 2018](#) and [Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs](#).

## ASCQR PROGRAM

ASCs must meet all ASCQR Program requirements to receive the full ASC annual program update. Requirements include submitting complete data on individual quality measures using appropriate Quality Data Codes on Medicare claims. For more information about ASCQR Program requirements, visit the CMS [ASC Quality Reporting](#) webpage or the [ASCQR Program Support Contractor](#).

## RESOURCES

### ASC Payment System Resources

For More Information About...	Resource
ASCs	<a href="https://www.cms.gov/Center/Provider-Type/Ambulatory-Surgical-Centers-ASC-Center.html">CMS.gov/Center/Provider-Type/Ambulatory-Surgical-Centers-ASC-Center.html</a>
ASC Payment System	<a href="https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ASCPayment">CMS.gov/Medicare/Medicare-Fee-for-Service-Payment/ASCPayment</a> <a href="#">Chapter 14, Medicare Claims Processing Manual (Publication 100-04)</a>
ASC Conditions for Coverage and Associated Interpretive Guidelines for Medicare Certification	<a href="#">Appendix L, State Operations Manual</a>
Payment Related to Annual and Quarterly ASCFS and Drug File Addenda	<a href="https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ASCPayment/11_Addenda_Updates.html">CMS.gov/Medicare/Medicare-Fee-for-Service-Payment/ASCPayment/11_Addenda_Updates.html</a>
All Available Medicare Learning Network® (MLN) Products	<a href="#">MLN Catalog</a>
Medicare Information for Patients	<a href="https://www.Medicare.gov">Medicare.gov</a>

## Hyperlink Table

Embedded Hyperlink	Complete URL
ASC Final Rule (CMS-1517-F)	<a href="https://www.federalregister.gov/documents/2007/08/02/07-3490/medicare-program-revised-payment-system-policies-for-services-furnished-in-ambulatory-surgical">https://www.federalregister.gov/documents/2007/08/02/07-3490/medicare-program-revised-payment-system-policies-for-services-furnished-in-ambulatory-surgical</a>
FY 2008 OPPTS/ASC Final Rule with Comment Period (CMS-1392-FC)	<a href="https://www.federalregister.gov/documents/2007/11/27/07-5507/medicare-program-changes-to-the-hospital-outpatient-prospective-payment-system-and-cy-2008-payment">https://www.federalregister.gov/documents/2007/11/27/07-5507/medicare-program-changes-to-the-hospital-outpatient-prospective-payment-system-and-cy-2008-payment</a>
CMS Issues Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System and Quality Reporting Programs Changes for 2018	<a href="https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2017-Fact-Sheet-items/2017-11-01.html">https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2017-Fact-Sheet-items/2017-11-01.html</a>
Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs	<a href="https://www.federalregister.gov/documents/2017/12/14/R1-2017-23932/medicare-program-hospital-outpatient-prospective-payment-and-ambulatory-surgical-center-payment">https://www.federalregister.gov/documents/2017/12/14/R1-2017-23932/medicare-program-hospital-outpatient-prospective-payment-and-ambulatory-surgical-center-payment</a>
ASC Quality Reporting	<a href="https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/ASC-Quality-Reporting">https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/ASC-Quality-Reporting</a>
ASCQR Program Support Contractor	<a href="https://www.qualitynet.org/dcs/ContentServer?c=Page&amp;pagename=QnetPublic%2FPage%2FQnetTier2&amp;cid=1228772497737">https://www.qualitynet.org/dcs/ContentServer?c=Page&amp;pagename=QnetPublic%2FPage%2FQnetTier2&amp;cid=1228772497737</a>
Chapter 14, Medicare Claims Processing Manual	<a href="https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c14.pdf">https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c14.pdf</a>
Appendix L, State Operations Manual	<a href="https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/som107ap_l_ambulatory.pdf">https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/som107ap_l_ambulatory.pdf</a>
MLN Catalog	<a href="https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf">https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf</a>

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