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STATEMENT

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Blood Reimbursement Issues

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Background: As an essential, life-saving resource, blood costs must be appropriately reimbursed to help ensure that unintended incentives do not exist to restrict the safety and availability of the U.S. blood supply. Given that Medicare directly pays for 46 percent of hospital care and acts as a benchmark for virtually every other type of insurer, Medicare reimbursement to hospitals for blood is particularly crucial. Because the Centers for Medicare and Medicaid Services (CMS) relies on hospital costs imputed from data reported to CMS by hospitals to determine payment rates under both the hospital inpatient and outpatient prospective payment systems, blood product coding and billing instructions have a direct impact on Medicare reimbursement. As a result, inadequacies in the Medicare instructions related to blood billing and coding have a significant, adverse effect on reimbursement for blood. This negatively affects the safety and availability of blood in the U.S.

Several meetings and teleconferences were conducted with CMS and the blood organizations (America's Blood Centers, AABB, American Red Cross), AdvaMed and CMS during 2003/4. The organizations provided CMS with their own data on costs to hospitals and initiated a third-party cost survey to review costs of blood products throughout the country. The last meeting resulted in agreement that the blood portion of the market basket needed to be reviewed and updated and that a new producer price index (PPI) for blood was needed. At the time, the Bureau of Labor Statistics (BLS) survey included only one of more than 30 blood products for which hospitals can code, which discourages hospitals from coding for products not in the "market basket" or PPI for fear of being accused of fraudulent billing.

In March 2005, BLS agreed to add a specific blood component survey to its PPI, which will provide CMS with a more accurate gauge of costs when it recalculates Medicare hospital reimbursements for blood products and services provided as part of inpatient treatment. There will be a specific tracking of blood costs in the annual market basket update.

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The index will measure the percent price change associated with providing services related to the collection, storage, and distribution of blood and blood products and the storage and distribution of body organs. Changes will affect the National Adjusted Operating Standardized Amount, or baseline payment, that hospitals receive for Medicare-covered inpatient treatment.

The BLS will use "quality adjustment procedures" (QAPs) to reflect service changes. Such procedures are used to evaluate safety improvements in many industries, such as the automobile industry. Blood groups and AdvMed are working with CMS and BLS regarding the application of QAPs to the new PPI. Blood centers are being contacted about participating in an ongoing pricing survey.

Compiling and Clarifying Medicare Policies for Blood Billing and Coding

While adding blood products to the PPI is promising, more needs to be done. Hospitals have repeatedly reported that they lack clear instructions from CMS for billing blood and blood costs. CMS has acknowledged, in proposed and final rules regarding hospital inpatient and outpatient payments issued over the last several years, that the agency has not issued clear and complete instructions detailing how hospitals should report blood cost and utilization data. Acting out of concern over this issue, Congress directed CMS to "compile and clarify the procedures and policies for billing for blood and blood costs in the hospital inpatient and outpatient settings as well as the operation of the collection of the blood deductible" in the Conference Report accompanying Public Law (PL) 108-173, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

To assist CMS with this issue, we developed recommendations for compiling and updating the existing Medicare program guidance on inpatient and outpatient billing as well as the application of the Medicare blood deductible. Please note, however, that several organizations (including the AABB, ARC, and ABC) are developing additional recommendations to help CMS simplify the entire billing and reimbursement scheme for blood. These overarching policy recommendations for CMS, however, were not incorporated into this project.

Recommendations:

The following is a brief summary of our recommendations for updating, compiling, and clarifying the existing CMS policy manual citations on blood billing. CMS should:

1. Update the Medicare instructions to conform to the current terminology used in transfusion medicine clinical practice;

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2. Publish inpatient hospital blood billing guidance to parallel CMS' existing guidance for the hospital outpatients (see section 90.1 of the Medicare Claims Processing Manual);

3. Include in the Medicare Claims Processing Manual its existing Medicare policy on charges for blood that has been replaced or not used;

4. Add its current instructions related to split units of blood into the Medicare Claims Processing Manual;

5. Place in manual CMS's existing regulatory clarifications to the blood deductible policy;

6. Reference revenue code series 038X and 039X when providing billing guidance to hospitals in various Medicare manuals, and reference relevant CPT and HCPCS codes as appropriate;

7. Clarify in the Medicare Claims Processing Manual that hospitals incur allowable costs to acquire blood and store it after acquisition; and

8. Create a new Web page for blood issues that would compile all instructions on blood and blood cost billing in one place and consider creating a Medlearn Web-based training module to clarify blood billing and coding.

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