

CMS Moves Forward with Elimination of Inpatient-Only List: Five Things for CFOs to Know

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The Centers for Medicare and Medicaid Services (CMS) has started phasing out the inpatient-only (IPO) procedure list in 2021. The 1,740 procedures on the IPO list, which previously required an inpatient admission for CMS reimbursement, now are eligible for Medicare reimbursement in both an inpatient setting and the hospital outpatient environment, based on the determination of the provider. Elimination of the list will provide patients more choice in where they can receive affordable, quality healthcare and reduce their out-of-pocket costs. This change is intended to help lower costs for Medicare beneficiaries and hospitals alike by allowing services to be performed in lower-cost settings compared to the inpatient setting. Phasing out the IPO list also should benefit hospitals facing capacity concerns brought on by the COVID-19 pandemic.

Here are five key takeaways for healthcare leaders regarding the phasing out of the IPO list:

1. The phaseout will occur over three years, with complete removal of the list by CY 2024. A full list of the nearly three hundred services removed for CY 2021 can be found in table 48 of the final rule.¹ This change will help shift services out of the hospital and into alternative care settings such as ambulatory surgical centers (ASCs). CMS estimates that total payments to ASCs would increase by approximately \$106 million to a total of \$5.45 billion in 2021.
2. A procedure's removal from the IPO list does **not** mean the service must be performed in an outpatient setting. Providers do not need to create policies or guidelines that establish the outpatient setting as the baseline or default site of service for a procedure that has been removed from the IPO list. This opens the door to perform a place-of-service analysis to determine the setting in which the procedure is most profitable.
3. Newly removed services from the IPO list will have an indefinite exemption period from Recovery Audit Contractor (RAC) review, which reviews claims on a post-payment basis to detect and correct improper payments. CMS will continue to monitor where services are being reported, and exemption will end when 50 percent of volumes for a given procedure are found to be performed more commonly in an outpatient setting. The current RAC exemption applies only to patient status; these services still can be reviewed for medical necessity.

¹ CMS, Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs, 42 CFR Parts 410, 411, 412, 414, 416, 419, 482, 485, 512, CMS-1736-FC; CMS-1736-IFC, Final rule (November 2020), available at: <https://www.cms.gov/files/document/12220-opps-final-rule-cms-1736-fc.pdf>

4. Providers should continue to abide by and apply the two-midnight rule so that clinically appropriate decisions are made for patients, including for services newly removed from the IPO list. CMS has not finalized a list of services that would be permanently excluded from the two-midnight rule but has indicated it would consider establishing metrics to permanently exempt certain services in future rulemaking.
5. CMS will issue guidance on how to determine whether a procedure is being performed in the appropriate site of service; this will be for educational purposes only and will not be used to deny claims. Since services newly removed from the IPO list will not be denied for site of service, hospitals should not experience an increase in denied claims related to the three hundred procedures removed from the list in 2021.

Hospitals should review the procedures removed from the IPO list each year and ensure physicians, physician services, health information management/coding, patient access, surgical scheduling, case management, utilization review, and patient financial services staff are aware of the annual changes. Surgeries performed as a same-day procedure with no overnight stay always would be performed on an outpatient basis; however, if a patient is expected to require two midnights of care following the procedure, the surgery would qualify as an inpatient procedure. Case management will need to work closely with physicians to remain compliant with the two-midnight rule, as the rule will apply to surgeries that are removed from the list.

Scheduling systems should be updated to ensure patient access staff are able to schedule former IPO list procedures according to physician orders. Claim scrubbers also should be updated to eliminate procedures as they are removed from the IPO list to allow claims to be billed accurately and in a timely manner. Finally, patient financial services staff should monitor denials to ensure procedures are not being denied based on patient type until after the exemption period following removal from the IPO list.

For more information on the IPO List and the 2021 Outpatient Perspective Payment System Final Rule, see [CMS' fact sheet](#).²

² CMS, *CY 2021 Medicare Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule (CMS-1736-FC)*, fact sheet [December 2, 2020], available at: <https://www.cms.gov/newsroom/fact-sheets/cy-2021-medicare-hospital-outpatient-prospective-payment-system-and-ambulatory-surgical-center-0>

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