APC Checklist (2000)

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Background

Ambulatory Payment Classifications (APCs) were implemented August 1, 2000, for hospital outpatient services provided to Medicare beneficiaries. How can organizations use HIM processes to optimize success with prospective payment? The following list, while not exhaustive, outlines four critical areas of organizational systems involvement for APC success. These areas include:

- development of the APC solutions team and appointment/support of an APC coordinator
- examination of the revenue cycle and documentation processes for APC outcomes
- validation of code selection and reimbursement data that affect APC groups
- identification and implementation of information systems and technological changes required to meet APC requirements and use the system for organizational advantage

Only the first point is specifically limited to the APC system used for Medicare payments to hospitals. Careful examination of the other areas can improve outpatient operations for efficiency, reimbursement accuracy, and better customer service for all patients.

APC Management Points to Consider

In general, APC management requires consideration of points like these:

- training information and APC processing information have been provided by the Health Care Financing Administration (HCFA) via the Internet and by educational programs conducted by HCFA contractors. To stay informed about APC details and updates, visit the HCFA Web site at www.hcfa.gov/medlearn.refguide.htm
- APCs affect all outpatient services not currently covered by a fee schedule for Medicare payment, and have a significant impact on outpatient reimbursement o additional regulations affect the amount of copayment possible to collect from the patient
- there is a transition period through January 1, 2004, to allow hospitals to adjust to the new system without suffering substantial financial loss
- rural hospitals with fewer than 100 beds and cancer hospitals will be "held harmless" until January 1, 2004, meaning that although the services reported will be grouped to APCs, the hospital will not receive less than cost-based amounts for procedures performed by these hospitals
- the Hospital Outpatient Prospective Payment System (PPS) final rule HCFA regulations are found in the April 7, 2000, Federal Register, vol. 65, no. 68, pp. 18434-18820, available on HCFA's Web site at www.hcfa.gov/regs/hopps
- new implementation instructions can be accessed at www.hcfa.gov/pubforms/transmit/a003660.pdf
- revised outpatient code editor (OCE) specifications can be accessed at www.hcfa.gov/pubforms/transmit/a003560.pdf
- two HCFA program memorandums concerning facility use of CPT modifiers were issued in September 1999 and February 2000 and are available at www.hcfa.gov/pubforms/transmit/A994160.htm and http://www.hcfa.gov/pubforms/transmit/A000760.pdf. They are listed under A-99-41.60 and A-00-07.60. Additional program memorandums are expected as the system evolves. An additional modifier (-27) was approved by the CPT Editorial Panel for reporting multiple outpatient hospital E/M encounters on the same date as of July 1, 2000

APC Coordinator: Leading the Project

Critical to the success of APC processing is the appointment of the appropriate individual to coordinate and lead the project. Here are some key factors to consider:

- the nature of the system requires knowledge and expertise of outpatient information management that goes beyond the HIM department. Like HIM processes, APC regulations affect the billing systems and clinical departments, so it is important to select someone with knowledge of how HIM and other hospital departments interact, collaborate, and complement each other
- the coordinator's skill set must also include a working knowledge of the information systems used throughout the facility. Further, the coordinator must ensure that the systems provide accurate billing and associated reimbursement regardless of the patient's insurance plan
- the coordinator may be dedicated to APC work or, in smaller facilities, may have responsibilities in addition to APC coordination in related areas. It is important to outline what and where the additional job tasks and functions would be

The APC coordinator must possess skills that support the following functions:

- management of the processes surrounding APC grouping structure and payment systems
- analysis of information flows for the billing process and cycle and clinical documentation in the organization that provides support to the billing process
- education/training initiation, delivery, and follow-up for hospital staff and physicians about APCs
- coordination of outpatient reimbursement monitoring by providing feedback and facilitating corrective action as needed to keep APC processes on track
- collaboration with all departments that select or assign ICD-9-CM and/or HCPCS/CPT codes. This may occur directly by chargemaster, be specified by encounter form or order entry at the point of service, or assigned by coding professionals following analysis of completed records in the HIM department o serve as the contact person for third-party payer communication concerning APC methods and regulatory requirements

No individual is capable of assuring APC success without top-level organizational buy-in and support. An APC solutions team or committee should be developed for problem solving and oversight of the APC process, because so many departments and functions are involved.

APC Solutions Team: Ensuring Compliance

The APC team is best organized as a subcommittee of the facility's compliance committee, because the overall objective is to comply with regulatory requirements while encouraging and protecting legitimate revenue potential. There should be representation from the following departments:

- HIM
- IS
- diagnostic services
- nursing staff from ambulatory surgery and ancillary areas
- utilization review staff
- corporate compliance representation
- patient finance
- business office/patient accounts
- registration services
- administration

A medical staff liaison should be an ad hoc member to consult when issues arise that require physician insight or action. The APC coordinator and/or the APC solutions team must first secure support from the executive administration of the organization so that resources are appropriated and continue for APC optimization.

Examination of the Revenue Cycle and Documentation Processes

Follow these steps to assess your processes:

- examine the revenue cycle to enhance all outpatient service processing
- map the information flow through the organization's automated information systems to assure completeness and accuracy of information transfer
- chart the physical process and use software that supports high-level overview of the systems and the detailed, lower-level information flows
- use tools that support process mapping, data flow diagrams, schematic overviews, and data definitions
- identify redundancies and gaps within and between the information systems and standardize data definitions
- define the relationship between systems
- identify potential errors that occur from re-keying of coded data and mapping or crosswalking data between systems
- review the information systems that generate supporting documentation for charges included on the HCFA 1450 (UB-92)
- determine the adequacy, types of access, and efficiency of documentation
- include the transcription system, document repository, and results reporting in the information systems review
- review all services eligible for reimbursement. The APC system employs separate reimbursement for new technology and/or pharmaceuticals and biologicals that may not have been reported with HCPCS codes in the past. If they are not assigned codes and reported in the new system, no payment will result

Validation of Code Selection and Reimbursement Data

Follow these steps:

- perform an in-depth review of the chargemaster detail, because 80 percent of charges associated with ambulatory surgery are generated through the chargemaster
- review claims data periodically against source documents to ensure correct information transfer through your system and adequate documentation to support billing
- include a review of compliance to coding guidelines, interpretation of documentation, and the quality of the documentation available for code selection
- clearly designate who is responsible for the code that ends up on the claim and what the consequences might be if more than one department submits codes for the same service
- determine whether a comprehensive review in your hospital might be accomplished with the assistance of outside consultants
- ensure that this review includes the accuracy of codes in the chargemaster and the possibility that modifiers may be required for some chargemaster assigned codes for services
- develop a system where the HCPCS codes must be matched to the appropriate revenue codes, because revenue codes drive the packaging in the APC system
- make sure there is specificity of the revenue codes to the right level and the integrity of information from chargemaster to claim form is infallible
- review all denied claims, claims marked "return to provider," and all rejected line items to scrutinize the processes that should be improved to minimize these occurrences

Using Information Technology to Meet APC Requirements

To use the APC system for organization advantage, information technology should be embraced and expanded to assist in decision making and analysis of outpatient services profit and loss. Although the APC system objective is to control costs for Medicare beneficiaries, it is possible that successful APC management will indicate areas where quality services may be provided with reasonable return. Follow these steps:

- group outpatient services by APC to provide a tool for reviewing revenue, cost, utilization of services, and identification of areas where efficiency or improvement is needed. It may be used for all patients regardless of payer type for operational assessment and review
- integrate or interface two groupers. Medical record information abstracting and reporting systems must be able to support a minimum of two groupers (APC and DRG), so that both inpatient and outpatient services may be processed. Some systems can support only one grouper in real time and therefore it is necessary to perform additional processes, such as severity grouping of patient information by batch processing on a stand-alone system

- explore and develop the optimal placement of the APC grouper. Unlike the DRG system, the APC system has the additional challenge of using both chargemaster-assigned and coder-assigned procedures in the final grouping process. This creates a question about the optimal placement of the APC grouper and the point of APC group assignment for data collection and reporting purposes. As with DRGs, the actual grouping will take place at the fiscal intermediary based on the codes submitted. But for monitoring and evaluation purposes, it will be important for facilities to consider the APC impact of a case before a claim is submitted. This allows any clarification or adjustments to be made or additional services to be added to a claim that were inadvertently missed.

The APC system can be used for organizational advantage if all areas collaborate to find APC solutions and work together to improve data quality and consistency for outpatient service reporting.

Resources

AHIMA Web site at www.ahima.org.

Prospective Payment for Hospital Outpatient Services Final Rules at www.hcfa.gov/regs/hopps.

Outpatient Prospective Payment Quick Reference Guide at www.hcfa. gov/medlearn/refguide.htm.

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Issued September 2000
