

## **Device related Portions of Ambulatory Payment Classification (APC) Costs for 2005**

We are hereby providing our newest list of device related cost portions of APCs for 2005. These device related portions are used for possible subtractions (or offsets) from payments for transitional pass-through devices or for applying the “not insignificant cost” criteria to applications for new categories of devices for pass-through payment, as described below.

In 2002 and 2003 we reduced the payments for transitional pass-through devices by estimating the portion of each APC rate that could reasonably be attributed to the cost of associated devices that are eligible for pass-through payments (i.e., an offset amount). For 2004, we did not apply any offset amounts (November 7, 2003 final rule, pp. 63438-63439) and we are continuing this policy of not applying any offset amounts to our current categories for 2005. We stated that we would only apply an offset amount to a new device category when we are able to determine that an APC contains costs associated with new devices in a pass-through category. We stated that we would continue our existing methodology for determining any offset amount, if we find that device costs associated with a new device category are packaged into the APCs. We will include information about any applicable offset in the transmittal we issue to announce information regarding the new category.

For 2004 we published the device percentages related to APCs on our web site. We believe this information is useful to the public even if we do not use the information to apply any particular offset to new device categories, because we use this information to apply the tests of “not insignificant cost” to a proposed new device category application, to determine if the nominated device meets the “not insignificant cost” criterion to establish a new category, according to section 1833(t)(6)((A)(iv)(II) of the Act.

For 2005, we are again publishing the device percentages related to APCs on our web site. As we indicate in our final rule for 2005, we are using the device percentages that we developed for potential offsets in 2004. We have applied these percentages to the 2005 APC payment amounts to obtain the 2005 offset amounts, for use in cases where we determine an offset is appropriate. We are using the device percentages developed for 2004 because, for the 2005 OPPS update, we are using 2003 claims that do not include device codes. As a result, we were not easily able to determine the device portions of APCs based on 2003 claims data.

Below is our list of APCs with identified device related portions for 2005. We will use these device related portions to determine if the nominated device meets the “not insignificant cost” criterion to establish a new category, as discussed above. At the time this list is posted, we are not applying any offset amount to any of the currently effective pass-through device categories. As indicated earlier, we will announce any applicable offset in the transmittal we issue to announce information regarding the new device category.

For further information about the use of the numbers in the OPPS, please email your questions to Barry Levi, [blevi@cms.hhs.gov](mailto:blevi@cms.hhs.gov).

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