| CMS Manual System | Department of Health & Human Services (DHHS) |
|---|---|
| Pub 100-20 One-Time Notification | Centers for Medicare & Medicaid Services (CMS) |
| **Transmittal 10525** | **Date: December 17, 2020** |
| | **Change Request 11803** |

**NOTE: Transmittal is no longer sensitive. This instruction may now be posted to the Internet. Transmittal 10245, dated July 30, 2020, is being rescinded and replaced by Transmittal 10525, dated, December 17, 2020 to remove the word "DRAFT" from Attachment A. All other information remains the same.**

**SUBJECT: Implementation of the New Ambulatory Surgical Center (ASC) Payment Indicator "K5"**

**I. SUMMARY OF CHANGES:** This document issues instructions to MACs to modify their systems to accept the new ASC HCPCS Payment Indicator and ensure that it properly interfaces with the existing ASCPI, ASCFS, ASC Drug File(s), and all other ASC module programming as appropriate.

**EFFECTIVE DATE: January 1, 2021**
**Unless otherwise specified, the effective date is the date of service.*
**IMPLEMENTATION DATE: January 4, 2021**

***Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.***

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

| R/N/D | CHAPTER / SECTION / SUBSECTION / TITLE |
|---|---|
| N/A | N/A |

**III. FUNDING:**
**For Medicare Administrative Contractors (MACs):**
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**IV. ATTACHMENTS:**

**One Time Notification**

# Attachment - One-Time Notification

| Pub. 100-20 | Transmittal: 10525 | Date: December 17, 2020 | Change Request: 11803 |
|---|---|---|---|

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**SUBJECT: Implementation of the New Ambulatory Surgical Center (ASC) Payment Indicator "K5"**

**EFFECTIVE DATE: January 1, 2021**
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**IMPLEMENTATION DATE: January 4, 2021**

## I. GENERAL INFORMATION

**A. Background:** In Transmittal 1616 (CR6184), issued October 17, 2008, CMS implemented the Ambulatory Surgical Center (ASC) Payment Indicator (PI) file. The ASCPI file provides the Medicare Administrative Contractors (MACs) records of the ASC payment indicators and Healthcare Common Procedural Coding System (HCPCS) code assignments in order to enhance their ability to identify both separately payable and non-separately payable (packaged) services, as well as non-payable services. There is a subset of non-payable HCPCS codes whose current payment indicator assignment and definition does not provide sufficient detail as to the specific reason for nonpayment.

**B. Policy:** Under the hospital Outpatient Prospective Payment System (OPPS), new drug HCPCS codes that do not have claims data or payment rate information are assigned to OPPS status indicator "E2" (Not paid by Medicare when submitted on outpatient claims (any outpatient bill type). These codes are also categorized and included in the ASC payment system on the ASCPI file as non-payable codes. They are currently assigned to ASCPI =Y5 (Non-Surgical Procedure/item not valid for Medicare purposes because of coverage, regulation and/or statute; no payment made.) because that is the ASC payment indicator that best describes the status of these HCPCS codes. However, ASCPI=Y5 assignment also includes those drug codes that would not be integral to the performance of a surgical procedure and are therefore not payable in the ASC payment system. The ASC payment indicators cannot currently communicate this distinction. There is not a payment indicator currently that describes the subset of drug codes that will become payable when claims data or payment information is available.

To resolve this issue, CMS is creating a new ASC payment indicator, specifically, "K5" to identify codes that describe items, procedures, and services for which pricing information and claims data are not available, and consequently, no ASC payment will be made. This new payment indicator, effective January 1, 2021, provides the assignment, definition, and detail needed for this subset of HCPCS codes.

In this Change Request (CR), CMS is issuing instructions to contractors to modify their systems to accept the new ASC Payment Indicator "K5" and ensure that it properly interfaces with the existing ASCPI, ASCFS, ASC Drug File(s), and all other ASC module programming as appropriate.

Attachment A (below) shows the revised list of the complete ASC payment indicators and their definitions. The new ASC payment indicator "K5" and definition is included in that list. CMS will seek comments on the establishment of this new ASC payment indicator in the Calendar Year (CY) 2021 OPPS/ASC proposed rule. If finalized, the new ASCPI "K5" and final definition will be included in the CY2021 ASCPI file. Sometime in

December 2020, MACs will be notified electronically to download the new ASCPI File for implementation on January 1, 2021.

## II. BUSINESS REQUIREMENTS TABLE

*"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.*

| Number | Requirement | Responsibility | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | A/B MAC | | | DME MAC | Shared-System Maintainers | | | | Other |
| | | A | B | HHH | | FISS | MCS | VMS | CWF | |
| 11803.1 | Contractors shall use Attachment A for informational purposes when programming HCPCS messaging indicators. | | X | | | | X | | | |
| 11803.2 | Effective for services performed on or after January 1, 2021, contractors shall identify the new ASC payment indicator "K5". | | X | | | | X | | | |
| 11803.3 | If ASC payment indicator = **K5** in positions 19 and 20, contractors shall deny the service and use the following messages:<br><br>Medicare Summary Notice 16.10 - Medicare does not pay for this item or service.<br><br>Claim Adjustment Reason Code 96 - Non covered charges.<br><br>Group Code – CO<br><br>CARC 96 -Non-covered charge(s). At least one Remark Code must be provided (may be comprised of either the NCPDP Reject Reason Code, or Remittance Advice Remark Code that is not an ALERT.) Usage: Refer to the 835 Healthcare Policy Identification Segment (loop 2110 Service Payment Information REF), if present.<br><br>Remittance Advice Remark Codes - N425 - Statutorily excluded service(s) and M16 - **Alert**: Please see our web site, mailings, or bulletins for more details concerning this policy/procedure/decision. | | X | | | | X | | | |
| 11803.4 | For programming and testing, contractors shall download K5 TEST ASC HCPCS payment indicator file<br><br>Filename: | | X | | | | X | | | |

| Number | Requirement | Responsibility | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | A/B MAC | | | DME MAC | Shared-System Maintainers | | | | Other |
| | | A | B | HHH | | FISS | MCS | VMS | CWF | |
| | MU00.@BF12390.ASC.CY20.PI.OCTA.V0801.TEST<br>**A test file will be available in early-August and CMS will provide date of retrieval via a separate e-mail communication.** | | | | | | | | | |
| 11803.5 | Contractors shall ensure that the new ASC HCPCS Payment Indicator “K5” properly interfaces with the existing ASCPI, ASCFS, ASC Drug File(s), and all other ASC module programming as appropriate. | | X | | | | X | | | |

## III. PROVIDER EDUCATION TABLE

| Number | Requirement | Responsibility | | | | |
|---|---|---|---|---|---|---|
| | | A/B MAC | | | DME MAC | CEDI |
| | | A | B | HHH | | |
| | None | | | | | |

## IV. SUPPORTING INFORMATION

**Section A: Recommendations and supporting information associated with listed requirements:**
*"Should" denotes a recommendation.*

| X-Ref Requirement Number | Recommendations or other supporting information: |
|---|---|
| 1,2,4,5 | Attachment A |

**Section B: All other recommendations and supporting information: N/A**

## V. CONTACTS

**Pre-Implementation Contact(s):** Chuck Braver, 410-786-6719 or chuck.braver@cms.hhs.gov (ASC Payment Policy), Yvette Cousar, 410-786-2160 or yvette.cousar@cms.hhs.gov (Part B MAC Claims Processing).

**Post-Implementation Contact(s):** Contact your Contracting Officer's Representative (COR).

**VI. FUNDING**

**Section A: For Medicare Administrative Contractors (MACs):**
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**ATTACHMENTS: 1**

Attachment A

**CY 2021 Ambulatory Surgical Center (ASC) Payment Indicator Definitions**

A2:Surgical procedure on ASC list in CY 2007; payment based on OPPS relative payment weight.

B5:Alternative code may be available; no payment made.

C5:Inpatient surgical procedure under OPPS; no payment made.

D5:Deleted/discontinued code; no payment made.

E5:Surgical Procedure/item not valid for Medicare purposes because of coverage, regulation and/or statute; no payment made.

F4: Corneal tissue acquisition, hepatitis B vaccine; paid at reasonable cost

G2: Non office-based surgical procedure added in CY 2008 or later; payment based on OPPS relative payment weight.

H2:Brachytherapy source paid separately when provided integral to a surgical procedure on ASC list; payment based on OPPS rate. NB: This may change due to legislation, prior to release of CR.

H7: Brachytherapy source paid separately when provided integral to a surgical procedure on ASC list; payment contractor-priced.

H8:Device-intensive procedure on ASC list in CY 2007; paid at adjusted rate.

J7:OPPS pass-through device paid separately when provided integral to a surgical procedure on ASC list; payment contractor-priced.

J8:Device-intensive procedure added to ASC list in CY 2008 or later; paid at adjusted rate.

K2:Drugs and biologicals paid separately when provided integral to a surgical procedure on ASC list; payment based on OPPS rate.

K5:Items, Codes, and Services for which pricing information and claims data are not available. No payment made.

K7:Unclassified drugs and biologicals; payment contractor-priced.

L1:Influenza vaccine; pneumococcal vaccine. Packaged item/service; no separate payment made.

L6:New Technology Intraocular Lens (NTIOL); special payment.

M6:No payment made; paid under another fee schedule.

N1:Packaged service/item; no separate payment made.

P2:Office-based surgical procedure added to ASC list in CY 2008 or later with Medicare Physician Fee Schedule (MPFS) nonfacility practice expense (PE) relative value units (RVUs); payment based on OPPS relative payment weight.

P3:Office-based surgical procedure added to ASC list in CY 2008 or later with MPFS nonfacility PE RVUs; payment based on MPFS nonfacility PE RVUs.

R2:Office-based surgical procedure added to ASC list in CY 2008 or later without MPFS nonfacility PE RVUs; payment based on OPPS relative payment weight.

**CY 2021 Ambulatory Surgical Center (ASC) Payment Indicator Definitions (cont.)**

S1: Service not surgical in nature; and not a radiology service payable under the OPPS, drug/biological, or brachytherapy source. Packaged item/service; no separate payment made.

U5:Surgical unlisted service excluded from ASC payment. No payment made.

X5:Unsafe surgical procedure in ASC. No payment made.

Y5:Non-Surgical Procedure/item not valid for Medicare purposes because of coverage, regulation and/or statute; no payment made.

Z2:Radiology service paid separately when provided integral to a surgical procedure on ASC list; payment based on OPPS relative payment weight.

Z3:Radiology service paid separately when provided integral to a surgical procedure on ASC list; payment based on MPFS nonfacility PE RVUs.