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Fallout From TKRs Being Off IPO List Is Felt in Bundled Payment Programs, Audit Anxiety

By Nina Youngstrom

More than a year after CMS moved total knee replacement (TKR) off the inpatient-only (IPO) list, hospitals are still learning the rules of the road, from the impact on bundled payments to the admission decisions they make knowing auditors may second guess them.

Hospitals may be reluctant to admit patients for TKRs because they worry the admissions will be denied by quality improvement organizations (QIOs), which review short stays, even when they seem medically necessary. "When you're that hospital that has a large volume and you get one of these denials, that will change your whole way of doing things for fear of getting" referred to a recovery audit contractor for a potentially more merciless audit, said Ronald Hirsch, M.D., vice president of R1 RCM, at an April 4 webinar sponsored by RACmonitor.com.

CMS in the 2018 outpatient prospective payment system regulation took TKRs (CPT code 27447) off the IPO list, which means they fall under the two-midnight rule ("With TKR Off Inpatient-Only List, Comorbidities Take Center Stage," *RMC* 27, no. 8; "CMS: TKRs Are Same as Other Procedures; Be Wary of Specialty Society Positions," *RMC* 27, no. 9). Hospitals and orthopedic surgeons now decide, patient by patient (fee-for-service), whether to admit as inpatient or perform TKR in an outpatient setting. CMS said comorbidities are a deciding factor; there's "a subset of Medicare beneficiaries with less medical complexity who are able to receive this procedure safely on a hospital outpatient basis and that providers should adopt evidence-based patient selection protocols to appropriately identify these patients....[However], patients with multiple medical comorbidities, aside from their osteoarthritis, would more likely require inpatient hospitalization and possibly post-acute care in a skilled nursing facility or other facility." Hospitals may also take into consideration, when deciding on admission, whether patients will need post-operative skilled nursing and post-surgical services.

Notwithstanding this radical change to a common procedure, CMS stated it didn't expect a "significant volume" of TKRs to be performed in outpatient settings, according to the regulation.

Removing TKR from the IPO list threw a wrench into hospitals' and physicians' plans under bundled payment programs, such as Bundled Payments for Care Improvement Advanced (BCPIA) and the Comprehensive Care for Joint Replacement (CJR) model. CMS sets "target" prices for a 90-day episode of care for certain procedures and conditions. If spending on the patient is less than the target price, hospitals, physicians and post-acute providers receive a share of the savings, and if it's more than the target price, they may owe CMS money.

The catch: Only inpatients are eligible for the bundled payment programs, so patients who have TKR in outpatient departments aren't included. "For a lot of the hospitals, that's where the controversy comes in," Hirsch said. "They have worked hard on the bundled payment programs and are sharing money with other providers. It's a lot of money potentially at risk. When TKR went off the inpatient-only list, they saw the money potentially evaporate." Of course patients healthy enough for outpatient TKR are more attractive for bundled payments because they would help keep post-acute care and other costs down, he noted.