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CMS Plans to End IPO List, Increase Prior Auth; Buck Would Stop with Two-Midnight Rule

By Nina Youngstrom

In an unexpected confluence of events, CMS is planning to terminate the inpatient-only (IPO) list, which guarantees Medicare payment for procedures only when they're performed on inpatients, while expanding prior authorization for outpatient procedures, according to the proposed 2021 outpatient prospective payment system (OPPS) regulation^[1] that was published in the Aug. 12 *Federal Register*. If finalized, the changes will underscore CMS's emphasis on medical necessity and the primacy of the two-midnight rule, experts say. But they also are sparking concern that coverage decisions and payment are becoming indistinguishable. Hospitals should prepare to staff up utilization management, because checking the compliance boxes for IPO procedures is far less labor intensive than evaluating whether surgeries should be performed on inpatients versus outpatients.

The IPO procedure list, with 1,740 services, will be phased out in three years, starting with 266 musculoskeletal services next year. CMS test drove the idea when it recently moved total knee arthroplasty (TKA) and total hip arthroplasty (THA) off the IPO list and into the realm of the two-midnight rule. The proposed OPPS rule includes a table with the musculoskeletal codes and the comprehensive ambulatory surgical classifications (C-APCs) they will fall into if the procedure is performed on an outpatient.^[2]

"All bets are off now, and there's no guaranteed status on any [surgical] cases," said Alvin Gore, M.D., physician advisor and director of utilization management at St. Joseph Health System in Santa Rosa, California. Once again, compliance officers and physician advisors will have to ask physicians to do a 180 for reimbursement purposes. "It will be on the physicians' shoulders to put in the documentation" why they admitted the patients. It's a departure from IPO claims, which "are very fast because they are a shoo-in. Finance likes them because they are quick and foolproof. Now they will be removed and will have to be relied on for the two-midnight obligation, so it's a subjective opinion," Gore said. The question is, how much more work will that be? That analysis is already underway at St. Joseph's.

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