# New modifier and POS code for off-campus provider-based departments mandatory starting January 1, 2016

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Starting January 1, 2016, the Centers for Medicare & Medicaid Services (CMS) will require a new billing policy for hospital off-campus provider-based departments. CMS finalized the new policy in the CY 2015 Outpatient Prospective Payment System Final Rule and the CY 2015 Physician Fee Schedule Final Rule. Under the new policy, it will be mandatory, beginning January 1, for hospitals and physicians billing for services furnished in hospital off-campus provider-based departments to use the new modifier and POS code on claims.

Why did CMS finalize a new billing policy?

This new Medicare policy is based on a longstanding provider-based regulation requirement that (i) physician services furnished in a hospital outpatient department or hospital-based entity (other than a Rural Health Center (RHC)) must be billed with the correct site-of service code, and (ii) hospital outpatient departments (other than RHCs) must treat all Medicare patients for billing purposes as hospital outpatients. See 42 CFR 413.65(g)(2), (g)(5).

CMS finalized the policy as a result of CMS, Office of Inspector General and stakeholder concerns about recent growth in off-campus provider-based locations due to increased hospital acquisitions of freestanding facilities and physician offices, which hospitals often convert to provider-based outpatient departments. Because CMS reimburses at a higher rate for services furnished in hospital provider-based outpatient departments versus freestanding facilities and physician offices, CMS has been evaluating whether to decrease the payment difference or eliminate it altogether. Requiring the use of the new modifier and POS code on claims for services furnished in hospital off-campus provider-based outpatient departments will provide CMS with data to evaluate this trend. The recent restriction on reimbursement for new off-campus provider-based departments in the Bipartisan Budget Act of 2015 suggests CMS may be considering decreasing or eliminating the payment differential for provider-based services.

How do hospitals and physicians comply?

To comply with the new CMS policy, both professional and hospital outpatient service bills for services furnished in hospital off-campus provider-based outpatient departments must correctly indicate that services have been furnished in a hospital outpatient department. To meet this requirement, hospitals must use the new modifier on facility claims and physicians must use the new POS code on professional claims for services furnished in off-campus provider-based outpatient departments. Specifically, hospitals must add the new "PO" modifier to every code on the Form CMS 1450/UB-04 (or the electronic format) for hospital services, and physicians must include the new POS code 19 Off Campus-Outpatient Hospital on the form CMS 1500 for professional services if they are furnished in a hospital off-campus provider-based outpatient department. Hospitals that fail to follow the new billing policy starting January 1, 2016, will not be in compliance with provider-based status requirements and could lose provider-based status at locations where billing does not comply with the policy or incur other penalties, such as overpayment or False Claims Act liability.

Which locations and services are affected?

The new CMS billing policy applies only to hospital off-campus provider-based outpatient departments. The new policy uses the same definition of "campus" used in the provider-based regulation, which defines "campus" as the physical area immediately adjacent to the hospital's main buildings and other areas and structures that are located within a 250-yard radius of the main buildings and any other areas determined by the CMS regional office on a case-by-case basis to be part of the provider's main campus. As a result, services furnished on a hospital's main campus are unaffected by the new policy. Similarly, services furnished in hospital remote locations, satellite locations or emergency departments do not need to comply with the new CMS billing policy.

Likewise, this new CMS policy applies only to Medicare services. Medicaid programs and commercial payors may have different billing requirements. As a result, hospitals should determine applicable billing policies for services furnished in off-campus outpatient departments for non-Medicare payors.

What steps should hospitals and physicians take to comply?

To make sure they are ready to comply with the new CMS policy beginning January 1, 2016, hospitals and physicians should:

- Identify all hospital off-campus provider-based outpatient departments;
- Determine billing requirements for services furnished in hospital off-campus provider-based outpatient departments to non-Medicare patients;
- Update billing policies and procedures for services furnished in hospital off-campus provider-based outpatient departments to require use of the correct

modifier and POS code on claims for services furnished to Medicare patients and also to meet billing requirements for non-Medicare payors;

- Train billing personnel to use the correct modifier and POS code on claims for services furnished to Medicare patients in hospital off-campus provider-based outpatient departments and to comply with billing requirements for non-Medicare payors.