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Ms. Jackie Brown
Via E-Mail

Dear Ms. Brown:

If there were two procedures done that each required only the first hour of OR time and one procedure was a simple biopsy and the other was a laparoscopic cholecystectomy wouldn't you expect the charges for the two to be different and the bills for the two would be different. One uses a minimal amount of supplies and equipment and the other uses over \$100,000 of equipment.

It appears that there is some confusion on the part of several of our clients regarding the difference between "billing" and "charging". Does "billing" refer to what is on the UB-92 and "charging" refer to what is on the itemized statement? The reason we are asking this is because several hospitals are under the impression that they cannot charge or bill for various instruments, equipment and supplies that are used in surgeries and endoscopies even though the items are not covered by the time charge for the operating room (OR) or the endoscopy room. My basic question is:

May instruments, equipment and supplies that are not included in the time charge for the OR be charged in addition to the OR time charge as long as there is only one line per revenue code on the UB-92? Ditto for the endo lab.

As an example, instruments and equipment would be detailed on the itemized statement but aggregated into the total for "OR Services" (revenue code 360) on the UB-92. Surgery packs and other supplies would be detailed on the itemized statement but rolled up into the total for "Medical/Surgical Supplies" (revenue code 270) on the UB-92.

In order to be as specific as possible I am going to describe the settings and the different items that would be used in these settings in order to illustrate our questions with examples.

St. Mary's Hospital (a hypothetical facility) has an OR time charge for the first hour and a different rate for subsequent one-half hour increments of time used in the OR for a case. It has the same OR rates for inpatient and outpatient surgery. St. Mary's has a charging protocol that states that the OR rate includes basic OR furniture and staff – instruments, extra equipment and supplies and additional personnel are charged separately in addition to the base OR time charge.

Two patients receive OR services – one has a simple biopsy and the other has a laparoscopic cholecystectomy (lap chole). Both procedures are done within one hour, so both are charged the same fee for the OR time. The simple biopsy required minimal instruments, one suture, a basic OR pack and local anesthesia. The lap chole required a laparoscope, video system, insufflator, a lap chole pack that contains trocars and other sterile items and general anesthesia.

BIOPSY--

The bill for the patient that had the biopsy includes a charge on the UB-92 for OR Services (revenue code 360) in the amount of \$670. The itemized statement has five line items with revenue code 360:

- 1) "OR Services 1st Hour" with a charge of \$575;
- 2) "Minor Instrument Set" with a charge of \$25;
- 3) "Pulse Oximeter" with a charge of \$25;
- 4) "EKG Monitor" with a charge of \$25;
- 5) "Non-Invasive Blood Pressure Monitor" with a charge of \$20.

The UB-92 also has a charge of \$55 for "Medical/Surgical Supplies" with a revenue code of 270. The itemized statement has two line items with revenue code 270;

- 1) "Basic Surgical Pack" with a charge of \$45;
- 2) "Suture" with a charge of \$10.

The hospital would charge for the drug that was used to numb the incision site (the local anesthesia) but not charge for revenue code 370 because there was no anesthesia equipment used.

LAP CHOLE

The bill for the patient that had the lap chole includes a charge on the UB-92 for OR Services in the amount of \$905 (revenue code 360).

The itemized statement has seven line items with revenue code 360:

- 1) "OR Services-1st Hour" with a charge of \$575;
- 2) "Laparoscope" with a charge of \$150;
- 3) "Video System" with a charge of \$75;
- 4) "Insufflator" with a charge of \$35;
- 5) "Pulse Oximeter" with a charge of \$25;
- 6) "EKG Monitor" with a charge of \$25;
- 7) "Non-Invasive Blood Pressure Monitor" with a charge of \$20.

The UB-92 has a charge of \$230 for "Medical/Surgical Supplies" with a revenue code of 270.

The itemized statement has two line items with revenue code 270;

- 1) "Lap Chole Pack" in the amount of \$200;
- 2) "Suture" (quantity of 3) in the amount of \$30.

The UB-92 had a single line for revenue code 370 in the amount of \$150 with the description "Anesthesia".

The itemized statement had the following anesthesia charges with revenue code 370:

- 1) "Anesthesia - 1st Hour" charged at \$125
- 2) "CO2 Monitor" charged at \$25.

In these cases there are charges for equipment, monitors, supplies and instruments that are not included in the base rate for OR time or anesthesia time.

There has been some confusion regarding the terms "charging" and "billing". We understand that there is a prohibition against "billing" for supplies, instruments and equipment as separate line items on the UB-92 but there is no prohibition against "charging" for these items on the itemized statement and rolling them up into the appropriate line item on the UB-92 when they are used in special service areas such as the OR and the endo lab.

Our understanding is that this itemized "charging" is allowed. We understand that what is not allowed is to "bill" separately for equipment, supplies and instruments separately on the UB-92. If the charges on the

itemized statement meet the criteria for being valid charges (i.e. medically necessary, documented in the medical records, not included in some other charge, et cetera) may they be charged on the itemized statement and rolled up into the appropriate line on the UB-92 (for both inpatient and outpatient cases)?

Is our understanding correct? May hospitals “charge” for sterile supplies, surgical equipment, anesthesia equipment and instruments used in the OR or endo lab, as long as those items are valid charges and do not generate additional line items on the UB-92?

The Gastro-Intestinal Services (endo lab) example is similar. There is a basic endo lab time charge for the first hour and a different time charge for each additional one-half hour. Two patients each have a procedure done in one hour – one has a flexible sigmoidoscopy (flex sig) and the other has a colonoscopy with polypectomy. The flex sig patient has no anesthesia but the colonoscopy patient has IV sedation.

The charging protocol at St. Mary’s states that the time charge for the endo lab includes the use of the room and the normal staffing of up to two personnel.

FLEX SIG

The UB-92 for the flex sig includes; “Gastro-Intestinal Services” (revenue code 750) with a charge amount of \$645.

The itemized statement has the following charges with revenue code 750:

- 1) “Gastro-Intestinal Services 1st hour” with a charge of \$500;
- 2) “Flex Sig Useage” with a charge of \$75;
- 3) “Pulse Oximeter” with a charge of \$25;
- 4) “EKG Monitor” with a charge of \$25;
- 5) “Non-Invasive Blood Pressure Monitor” with a charge of \$20.

COLONOSCOPY WITH POLYPECTOMY

The UB-92 for the colonoscopy with polypectomy includes:

- 1) “Gastro-Intestinal Services” (revenue code 750) with an amount of \$755;
- 2) “Medical/Surgical Supplies” (revenue code 270) with an amount of \$20.

The itemized statement has the following charges with revenue code 750:

- 1) "Gastro-Intestinal Services 1st Hour" with a charge of \$500;
- 2) "Colonoscope Useage" with a charge of \$100;
- 3) "Video Equipment" with a charge of \$75;
- 4) "Electro-Surgical Unit" with a charge of \$10;
- 5) "Pulse Oximeter" with a charge of \$25;
- 6) "EKG Monitor" with a charge of \$25;
- 7) "Non-Invasive Blood Pressure Monitor" with a charge of \$20;

these total to the \$710 on the UB-92 identified as "Gastro-Intestinal Services".

The itemized statement has the following charge for revenue code 270:

- 1) "Endo Snare" with a charge of \$20;

this is the extra item that was needed for the case and not included in the base time charge for the room.

Here are two cases with equipment, supplies, and instruments charged on the itemized statements and billed on the UB-92. No item that was charged generated any superfluous lines on the UB-92. There was a line generated on the UB-92 by the single supply item "Endo Snare".

We have the same questions using the two examples immediately above as illustrations:

- 1) Is there any prohibition against charging for items that meet the criteria for valid charges and including those items on itemized statements (for both inpatient and outpatient cases)?
- 2) Is there any prohibition against rolling itemized charges for equipment or supplies that fall into the revenue codes 270, 360, and 750 into those line items on the UB-92 that include those revenue codes? (Obviously there can be no cross-charging, i.e. all 270 revenue code items must be rolled up into the 270 line on the UB-92 and nowhere else; ditto for revenue code items 360 and 750.)

I have tried to strike a balance between giving you too many details and not giving you enough details. I hope this is not too laborious.

All of the above notwithstanding, our question is pretty simple – are hospitals allowed to charge whatever and however they want on the itemized statement (given the constraint of legitimate charging) as long as they do not

generate more than one line per revenue code on the UB-92? If the answer to this is “no” please refer us to the Medicare regulation or rule that limits the hospital’s ability to charge as it wants as long as it follows the Medicare rules regarding billing format on the UB-92.

Thank you for your time and cooperation. We look forward to hearing from you.

Sincerely,
Michael P. Lewis