

# 2024 Inpatient Reimbursement Update

## Key Reimbursement Changes for Orthopedic Services in the Hospital Inpatient Setting

### Fiscal Year (FY) 2024 IPPS Payment Changes Released

On August 1, 2023, the Centers for Medicare and Medicaid Services (CMS) released the Fiscal Year (FY) 2024 Inpatient Prospective Payment System (IPPS) Final Rule,<sup>1</sup> implementing policy changes, quality provisions and payment rates that will become effective for inpatient discharges occurring on or after October 1, 2023.

The final rule updates Medicare payments and policies for hospitals as required by statute; adopts hospital quality measures to foster safety, equity, and reduce preventable harm in the hospital setting; and recognizes homelessness as an indicator of increased resource utilization in the acute inpatient hospital setting.

“For acute care hospitals paid under the IPPS that successfully participate in the Hospital Inpatient Quality Reporting (IQR) Program and are meaningful electronic health record users, the final rule results in an increase in operating payment rates of 3.1%. This reflects a FY 2024 projected hospital market basket update of 3.3%, reduced by a statutorily required productivity adjustment of 0.2 percentage points.”<sup>2</sup>

Individual Medicare Severity-Diagnosis-Related Group (MS-DRG) payment changes will differ and increase more or less than this percentage. The table below shows 5 years of payment changes for several common orthopedic MS-DRGs. There are no new MS-DRGs or MS-DRG reassignments for orthopedic-related procedures for FY 2024.

### New Technology Add-on Payment Approved for Persona IQ®

For the period October 1, 2023 – September 30, 2024, Medicare beneficiary discharges from the hospital inpatient setting will be eligible to receive New Technology Add-on Payments (NTAP) of up to \$850.85 for one knee, or \$1,701.70 for two knees, for the implantation of Persona IQ® The Smart Knee®, which combines Zimmer Biomet’s Persona® The Personalized Knee® and Canary Medical’s canturio™ Tibial Extension (CTE) with Canary Health Implanted Reporting Processor (CHIRP).

A NTAP is a special payment made by Medicare for new services and technologies provided in the hospital inpatient setting to help cover the additional costs associated with innovative technologies.

*(continued on page 2)*

MS-DRG	Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	5 Yr Change %	Case Wgt 5 Yr %
461	Bilateral or multiple major joint procs of lower extremity w MCC	\$33,666	\$39,055	\$40,105	\$44,005	\$47,740	41.8%	8.6%
462	Bilateral or multiple major joint procs of lower extremity w/o MCC	\$19,631	\$20,209	\$20,715	\$20,480	\$19,929	1.5%	
466	Revision of hip or knee replacement w MCC	\$31,915	\$34,355	\$35,251	\$35,979	\$36,314	13.8%	13.7%
467	Revision of hip or knee replacement w CC	\$21,982	\$22,986	\$23,591	\$24,872	\$24,410	11.0%	
468	Revision of hip or knee replacement w/o CC/MCC	\$17,601	\$18,023	\$18,480	\$19,133	\$18,691	6.2%	
469	Major Hip and Knee Joint Replacement or Reattachment of Lower Extremity with MCC or Total Ankle Replacement	\$19,653	\$19,825	\$20,349	\$22,166	\$23,314	18.6%	8.2%
470	Major Hip and Knee Joint Replacement or Reattachment of Lower Extremity w/o MCC	\$12,320	\$12,212	\$12,531	\$13,115	\$13,175	6.9%	
483	Major joint/limb reattachment proc of upper extremities	\$14,972	\$15,338	\$15,732	\$16,172	\$17,393	16.2%	16.2%
521	Hip Replacement with Principal Diagnosis of Hip Fracture with MCC	N/A	\$19,690	\$20,219	\$20,710	\$20,964	6.5%	7.0%
522	Hip Replacement with Principal Diagnosis of Hip Fracture w/o MCC	N/A	\$14,070	\$14,438	\$14,905	\$14,789	5.1%	

MCC: Major complication and/or comorbidity; CC: Complication and/or comorbidity

The add-on payment provides incremental payment to the hospital in addition to the reimbursement it receives for the MS-DRG assigned to the case.

**Effective October 1, 2023, hospitals will be eligible to receive an incremental NTAP of up to \$850.85 for one total knee replacement, or \$1,701.70 for bilateral total knee replacement, when implanting Persona IQ and performing the procedure on a traditional Medicare beneficiary in the hospital inpatient setting.**

Cases involving the use of Persona IQ, which includes the CTE with CHIRP system, that are eligible for the NTAP will be identified by reporting ICD-10-PCS code XNHG0F9 (Insertion of tibial extension with motion sensors into right tibia, open approach, new technology group 9) and/or XNHH0F9 (Insertion of tibial extension with motion sensors into left tibia, open approach, new technology group 9).

<b>Example Coding for Persona IQ</b>	
<b>Case 1:</b> Total knee arthroplasty of the left knee joint using Persona IQ, which includes the CTE with CHIRP system, open approach, cemented	
ICD-10-PCS	
0SRD0J9	Medical and surgical lower joints replacement, left knee joint, open approach, synthetic substitute, cemented
XNHH0F9	Insertion of tibial extension with motion sensors into left tibia, open approach, new technology group 9
<b>Case 2:</b> Total knee arthroplasty of both knee joints (bilateral) using Persona IQ, which includes the CTE with CHIRP system, open approach, cemented	
ICD-10-PCS	
0SRD0J9	Medical and surgical lower joints replacement, left knee joint, open approach, synthetic substitute, cemented
XNHH0F9	Insertion of tibial extension with motion sensors into left tibia, open approach, new technology group 9
0SRC0J9	Medical and surgical lower joints replacement, right knee joint, open approach, synthetic substitute, cemented
XNHG0F9	Insertion of tibial extension with motion sensors into right tibia, open approach, new technology group 9

### Calculating the Persona IQ New Technology Add-on Payment

The amount of the NTAP for Persona IQ will vary by case. Add-on payments will be made for discharges involving the new technology, if the total covered costs of the case exceed the applicable MS-DRG payment. According to Medicare regulations, the total amount paid to the hospital for a case involving a NTAP is equal to the applicable MS-DRG payment, plus the lesser of:

1. 65% of the amount the total covered costs of the case exceed the MS-DRG payment; or
2. 65% of the cost of the new technology.

Because the add-on payment cap is set at 65% of the cost of the technology, it may be simpler to interpret the rule as Medicare will pay 65% of the hospital's total covered costs exceeding the MS-DRG payment, up to the maximum NTAP amount for the technology.

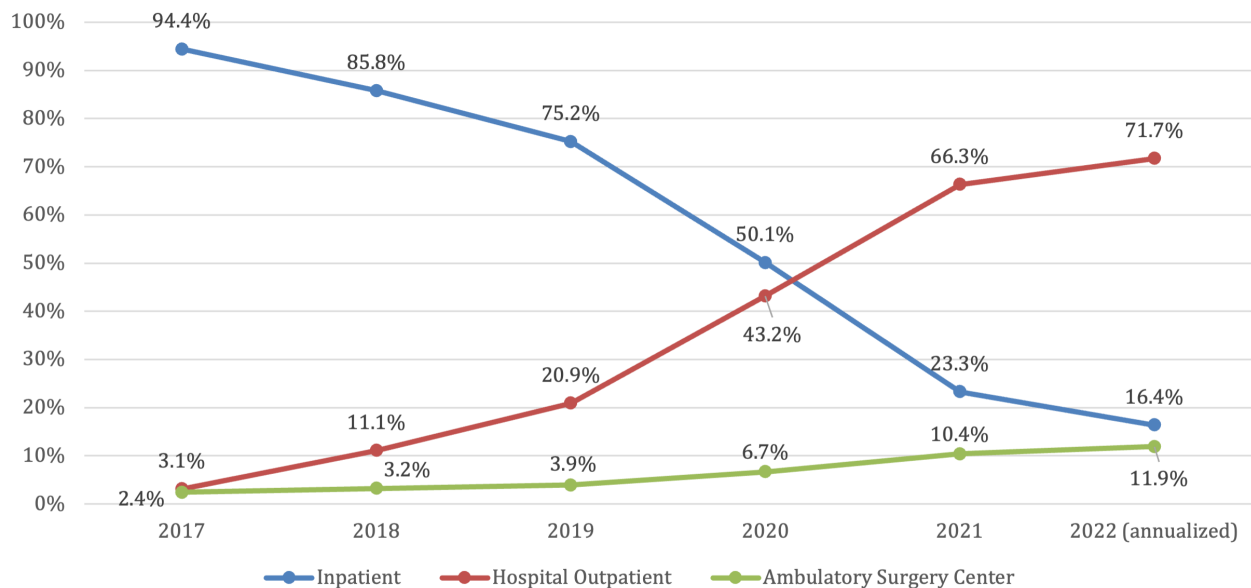


The cost of the CTE with CHIRP system, which is a component of Persona IQ, is \$1,654. However, CMS broke the cost down further to \$1,309 for the CTE and \$345 for the home base station. Because this latter component is given to the patient prior to surgery and is used on the patient's home setting, CMS decided not to include this cost in the NTAP calculation. The maximum NTAP amount for Persona IQ is therefore \$850.85 (65% of \$1,309) for one knee, or \$1,701.70 for two knees.

*NOTE: Because the NTAP calculation is based on total covered charges reduced to estimated costs through the application of the hospital's cost-to-charge ratio (RCC), it is important for the hospital to follow their normal charge methodology for implants/devices when charging for Persona IQ (i.e., utilize the hospital's device cost center RCC to mark-up charges for Persona IQ by at least the same rate).*

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## Hip & Knee Replacement Volumes by Site of Care (Optum's de-identified Clinformatics® Data Mart Database (2007-2022))



Source: Beckman, S. What's Happening with Joint Replacement Volumes? Advisory Board (Advisory.com). Updated August 14, 2023. Sourced August 16, 2023.

Below are three illustrative examples of NTAP calculations for cases involving Persona IQ.

**Example 1:** Applying the hospital's RCC to the total covered charges for a case assigned to MS-DRG 470, it is determined the total cost for the case is \$12,500. The hospital's payment for MS-DRG 470 is \$13,175. Even though the case involved a new technology eligible for a NTAP, the total covered costs of the case did not exceed the MS-DRG payment. Consequently, no additional payment is made.

**Example 2:** Applying the hospital's RCC ratio to the total covered charges for the case, it is determined the total cost for the case is \$14,086, exceeding the MS-DRG 470 payment (\$13,175) by \$911. Sixty-five percent (65%) of the overage is \$592 and is less than the maximum NTAP amount of \$850.85. Therefore, Medicare's payment will be \$13,767 (\$13,175 + \$592).

**Example 3:** Applying the hospital's RCC ratio to the total covered charges for the case, it is determined the total cost for the case is \$14,807, exceeding the MS-DRG 470 payment (\$13,175) by \$1,632. Sixty-five percent (65%) of the overage is \$1,061 and is more than the maximum NTAP amount of \$850.85, so the total payment by Medicare will be \$14,025.85 (\$13,175 + \$850.85).

### Frequently Asked Questions (FAQs) Regarding the Medicare NTAP for Persona IQ

#### *When is the NTAP effective?*

The NTAP for Persona IQ goes into effect for discharges on or after October 1, 2023, and will expire on September 30, 2024.

#### *What is the total payment amount for Persona IQ cases if it qualifies for a NTAP?*

CMS indicated that the maximum NTAP for the technology will be \$850.85 for one knee and \$1,701.70 for bilateral knee replacement procedures. The add-on payment is in addition to the MS-DRG payment for the total knee arthroplasty.

However, the amount of the add-on payment for Persona IQ will vary by case. The general formula used by CMS to determine the add-on payment amount is the lesser of: (1) 65% of the amount the total covered costs of the case exceed the MS-DRG payment, or (2) 65% of the cost of the technology.

#### *How can a Persona IQ case be billed in the hospital inpatient setting?*

There are no special billing requirements placed on the hospital for processing the NTAP, other than using the appropriate ICD-10-PCS codes that

describe the use of the CTE with CHIRP system as part of the total knee replacement. Procedure codes XNHG0F9 and XNHH0F9 indicate a procedure involving the use the CTE with CHIRP system and will trigger a calculation of the NTAP by the Medicare Administrative Contractor's (MAC) claims processing system.

**Is there a fixed payment amount for each inpatient Persona IQ case?**

The NTAP amount is not a fixed amount and can vary for each case. It is calculated on a case-by-case basis. As explained in the previous examples, CMS has determined that the maximum incremental NTAP amount that a hospital can receive (in addition to the MS-DRG payment) is \$850.85 for one knee and \$1,701.70 for bilateral knee replacement procedures. The exact payment amount per case is not fixed and depends on the total covered costs of the case.

**Can the NTAP amount be less than the maximum allowed amount stated?**

Yes, the maximum allowed NTAP amount is \$850.85 for one knee and \$1,701.70 for bilateral knee replacement procedures. Should the hospital-specific calculation result in a cost that is less than the MS-DRG payment, no incremental payment will be made. If the hospital-specific calculation results in a cost that exceeds the MS-DRG payment but is less than the NTAP maximum allowed amount, 65% of the cost exceeding the MS-DRG payment will be paid as an incremental payment to the hospital.

**For assistance with reimbursement questions, contact the Zimmer Biomet Reimbursement Hotline at 866-946-0444 or [reimbursement@zimmerbiomet.com](mailto:reimbursement@zimmerbiomet.com); or visit our reimbursement web site at [zimmerbiomet.com/reimbursement](http://zimmerbiomet.com/reimbursement).**



**Is the NTAP permanent?**

The add-on payments are typically meant to be short-term – about two or three years maximum, potentially shorter – until the cost of the new technology is fully blended into the basic payment for the underlying MS-DRG.

Persona IQ became commercially available on October 4, 2021. The three-year NTAP eligibility period ends in early FY 2025; therefore, the NTAP will expire at the end of FY 2024, or September 30, 2024.

**Due to Medicare's budget neutrality requirement, doesn't the NTAP result in a decrease to the other MS-DRG payments?**

The budget neutrality provision for add-on payments was removed in FY 2005: "there shall be no reduction or adjustment in aggregate payments under the IPPS due to add-on payments for new medical services and technologies. Therefore, add-on payments for new medical services or technologies for FY 2005 and later years will not be budget neutral."<sup>3</sup>

**References**

1. Fiscal Year 2024 Medicare Inpatient Prospective Payment System, Final Rule. Federal Register, August 28, 2023.
2. <https://www.cms.gov/newsroom/press-releases/new-cms-rule-promotes-high-quality-care-and-rewards-hospitals-deliver-high-quality-care-underserved>
3. Fiscal Year 2005 Medicare Inpatient Prospective Payment System, Final Rule. Federal Register, August 11, 2004.

Persona IQ: The objective kinematic data generated by the CTE with CHIRP System are not intended to support clinical decision-making and have not been shown to provide any clinical benefit.

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