

# Provider-based billing

## Applies to

All commercial in-network and out-of-network providers and facilities (excluding RHC and FQHC) regardless of reimbursement methodology

## Definition

This policy defines Priority Health guidelines associated with provider-based billing.

Provider-based billing is a billing process for services rendered in an outpatient department of the hospital, including off campus facilities. The hospital facility may be called an outpatient center, doctor’s office or practice. A provider-based facility must meet certain criteria to attain this Centers of Medicare and Medicaid Services (CMS) designation. Typically, two bills will be sent: a professional claim and a facility claim. This CMS methodology allows facilities to report a claim for costs such as overhead, facility costs, staffing and technical resources and the professional claims for physician services. Priority Health recognizes provider-based billing. However, we don’t separately reimburse some of the facility services for commercial plans.

## Commercial plans

Effective June 1, 2024, Priority Health won’t separately reimburse a clinic fee or any other facility fee associated with space used to provide Evaluation and Management (E/M), procedures and services in the event they’re billed on a UB-04 claim form (‘facility fee’) regardless of the office being located on the hospital campus and/or using the hospital tax identification number.

Provider organizations are responsible for determining the most appropriate way to bill for professional services in their practice setting. The provider organization must determine if the appropriate practice setting rules or guidelines are met for commercial plans when selecting the place of service (POS). Reimbursement of professional services are impacted by place of service reported, which is derived from either a facility or non-facility rate.

- **Non-facility rates** are comprised of costs associated with physician practice expenses such as overhead, facility costs, staffing and supplies
- **Facility rates** don’t include practice expenses.

Applicable POS codes include:

| POS code                            | Reimbursement  |
|-------------------------------------|--|
| 11 – Office                         | Services reported with POS 11 are reimbursed at <b>Physician Fee Schedule (PFS) non-facility rates</b> , which include practice expense reimbursement at PFS non-facility rates. |
| 19 – Off-Campus-Outpatient Hospital | Services reported with POS 19 and 22 are reimbursed at <b>PFS facility rates</b> which don’t include practice expense reimbursement at PFS non-facility rates.                   |
| 22 – On-Campus-Outpatient Hospital  |  |

The following are conditions under which claims will be denied:

- **Type of bill:** 013X
- **Revenue codes:** 0510-0519  
*Examples include but aren't limited to E/M, procedures and services performed during clinic visit*

### **Provider-based billing modifiers\***

- **PO:** Excepted service provided at an off-campus, outpatient, provider-based department of a hospital
- **PN:** Nonexcepted service provided at an off-campus, outpatient, provider-based department of a hospital

## **Medicare and Medicaid**

### **Medicare**

We follow traditional Medicare guidelines for billing and reimbursement of provider-based billing as outlined in the CMS Claims Processing Manual and MLN Matters.

#### **As detailed by CMS:**

CMS created a HCPCS modifier for hospital claims that's to be reported with each claim line with a HCPCS for outpatient hospital items and services furnished in an off-campus provider-based department (PBD) of a hospital. The "PO" modifier was updated in 2017 for excepted off-campus PBDs. Excepted off-campus PBDs of a hospital must continue to report existing modifier "PO" (Services, procedures and/or surgeries provided at off-campus PBDs) for all excepted items and services with a HCPCS furnished.

CMS established modifier "PN" (Non-excepted service provided at an off-campus, outpatient, PBD of a hospital) to identify and pay non-excepted items and services billed on an institutional claim.

PO and PN modifiers will trigger rate reductions as outlined by CMS and MDHHS.

Inaccurate claims data that may generate denials:

- Claim service facility address doesn't match provider practice file address
- Off-campus provider claim lines that contain a HCPCS must have a PN or PO
- Modifier PO isn't present on the claim and an off-campus practice location is reported. Refer to CMS SE18002.
- Modifier PN isn't present on the claim and an off-campus practice location is reported that has a practice effective date on/after 11/2/15. Refer to CMS SE18002.

Corresponding professional claims should be reported with the appropriate place of service defined for off-campus PBD (19). Failure to accurately bill the appropriate POS for these services will result in a professional claim denial.

## Medicaid

MDHHS aligns as closely as possible with Medicare's billing and reimbursement guidelines for billing Hospital Clinic services rendered in a clinic setting (that is part of the licensed, Medicaid enrolled hospital) and that satisfy Medicare requirements for provider-based status. Clinic services rendered in the outpatient hospital include non-emergency outpatient services provided to ambulatory beneficiaries.

### MedicaidProviderManual.pdf (state.mi.us) (Clinic Services section)

- MDHHS follows the same protocol for PO and PN modifiers determination as established by CMS. Claim lines with the PN and PO modifiers will result in a payment reduction applied to the OPPS rate.

### Service location reporting

As a reminder, the service facility location for off-campus, outpatient PBDs should be reported on the facility claim. Inaccurate provider data will result in a claim denial.

- Service location reporting, including use of the off-campus address in loop 2310E of the 837, is expected consistent with CMS instructions in SE18002

## References

- [SE18002 SE18002 \(cms.gov\)](#)
- [MM13488 - Hospital Outpatient Prospective Payment System: January 2024 Update \(cms.gov\)](#)
- [MM13568 - Hospital Outpatient Prospective Payment System: April 2024 Update \(cms.gov\)](#)
- [Michigan Department of Health & Human Services \(MDHHS\) Outpatient ProSPECTIVE PAYMENT System \(OPPS\) and Ambulatory SurGical Center \(ASC\) 1st Quarter \(January 1, 2019\) Update Information](#)
- [Michigan Department of Health & Human Services \(MDHHS\) Important Outpatient ProSPECTIVE PAYMENT System \(OPPS\) 3RD Quarter \(July 1 – September 30, 2016\) Update Information](#)

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## Update history

| Date          | Update made  |
|---------------|--|
| May 30, 2024  | Removed definition of Excepted provider-based departments (PBD) and Non-excepted PBDs  |
| June 20, 2024 | This policy now only applies to commercial products. We follow traditional Medicare guidelines for billing and reimbursement of provider-based billing as outlined by CMS. For Medicaid, we follow MDHHS guidelines which align as closely as possible with Medicare's guidelines. |