



2018 CARDIOVASCULAR SERVICE LINE INPATIENT REIMBURSEMENT PROSPECTUS

Increasing financial risk to U.S. health care providers, including physicians and hospitals, has been centered on outcomes-based modifiers to Medicare payments for the last few years. The cardiovascular service line (CVSL) is one of the more impacted areas for increasing financial risk. We appreciate the role that Abbott procedures play in Medicare's reform programs and we believe that opportunities for success in a new era of reform continue to present themselves, such as treatment optimization, improving outcomes and avoiding downstream complications. Abbott believes that opportunities also exist from clinical to economic perspectives to impact patient care and hospital performance. We plan to continue our mission to create relevant technology that improves meaningful patient outcomes, now made even more meaningful in light of new financial risks posed to U.S. hospitals.

On August 2, the Centers for Medicare & Medicaid Services (CMS) released the FY 2018 Final Inpatient Prospective Payment System (IPPS) Rule, effective for services on October 1, 2017.¹ Under the rule, the average inpatient hospital will see an increase of 2.9% to its payments.¹ Specific procedures expected to see changes to their payments relative to FY 2017 levels include the following:

- ICD and CRT-D system implants: increasing by up to 15%
- ICD and CRT-D generator and ICD lead replacements: increasing by up to 5%
- Pacemaker and CRT-P implants: increasing by up to 2%
- Coronary drug-eluting stents: increasing by up to 0.8%
- Coronary Bare-metal stents: increasing by 1.7%
- Transcatheter ablations: increasing by up to 6%
- Ventricular assist devices: decreasing by up to 5%
- Surgical Valve Replacements: increasing by up to 1%
- Peripheral Angioplasty/Atherectomy and Vascular Stenting: increasing by up to 2%
- Coronary Angioplasty/Atherectomy: decreasing by up to 2%
- Transcatheter Mitral Valve Repair: decreasing by up to 2.8%
- Atrial Defect Repair: increasing by up to 6%
- Ventricular Defect Repair: decreasing by up to 2.8%
- Carotid Stenting: increasing by up to 1%

To better understand changes in individual DRGs, please refer to the Fiscal Year 2018 Inpatient Final Rule. Building on the above analysis of payment changes reflected in the FY 2018 rule, Abbott has further analyzed the varying impact to individual FY 2018 DRG payments for procedures performed within the CVSL, and which are supported by our technologies or therapy solutions.

¹ Final Acute Inpatient Prospective Payment System FY 2018 Rule: CMS-1677-F
<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2018-IPPS-Final-Rule-Home-Page.html>

IPPS Comparison Chart: FY 2017 vs. FY 2018

Technology		MS-DRG	Description	Severity	Final 2017 ²				Final 2018 ³				
					Payment	Cases	%	Wtd Avg	Payment	Cases	%	Wtd Avg	% Change
Surgical Valves		216	Cardiac valve and other major cardiothoracic procedures with cardiac catheterization	MCC	\$57,511	9,418	66%	\$50,596	\$57,249	9,726	70%	\$51,198	1%
		217		CC	\$37,688	4,266	30%		\$37,847	3,738	27%		
		218		None	\$33,800	599	4%		\$34,270	528	4%		
		219	Cardiac valve and other major cardiothoracic procedures without cardiac catheterization	MCC	\$45,985	17,371	42%	\$36,844	\$45,841	16,936	42%	\$36,937	0%
		220		CC	\$30,744	19,999	48%		\$30,979	19,491	49%		
		221		None	\$27,494	3,935	10%		\$27,634	3,726	9%		
Vascular Plugs; PDA		270	Other major cardiovascular services	MCC	\$28,379	15,316	50%	\$22,805	\$29,782	18,057	46%	\$23,899	5%
		271		CC	\$18,649	10,322	34%		\$20,395	15,154	39%		
		272		None	\$13,787	4,711	16%		\$14,792	5,833	15%		
Septal Defects	Atrial Septal Defects	273	Percutaneous intracardiac procedures	MCC	\$21,495	6,611	31%	\$17,081	\$21,576	6,947	31%	\$18,201	7%
		274		None	\$15,089	14,653	69%		\$16,689	15,503	69%		
	Ventricular Septal Defects; TMVr	228	Other cardiothoracic procedures	MCC	\$42,262	2,275	39%	\$33,808	\$39,751	3,770	43%	\$32,867	-3%
		229		CC-16, None-17	\$28,302	3,493	61%		\$27,620	4,946	57%		
CABG		231	Coronary bypass with PTCA	MCC	\$48,102	1,100	55%	\$42,306	\$48,906	1,126	58%	\$43,119	2%
		232		None	\$35,109	886	45%		\$35,202	823	42%		
		233	Coronary bypass with cardiac catheterization	MCC	\$44,652	12,751	42%	\$35,861	\$44,268	12,726	43%	\$36,371	1%
		234		None	\$29,533	17,711	58%		\$30,483	17,072	57%		
		235	Coronary bypass without cardiac catheterization	MCC	\$34,376	9,544	32%	\$26,653	\$34,833	10,157	34%	\$27,250	2%
		236		None	\$22,971	20,019	68%		\$23,411	20,062	66%		
Coronary Interventions		246	Percutaneous cardiovascular procedures with DES or 4+ stents	MCC	\$19,396	35,524	29%	\$14,643	\$19,352	39,019	30%	\$14,762	1%
		247		None	\$12,658	85,090	71%		\$12,754	89,191	70%		
		248	Percutaneous cardiovascular procedures with MCC or 4+ stents	MCC	\$18,156	8,616	38%	\$14,076	\$18,373	7,041	38%	\$14,313	2%
		249		None	\$11,544	13,879	62%		\$11,797	11,360	62%		
		250	Percutaneous cardiovascular procedures without coronary artery stent	MCC	\$15,683	4,027	37%	\$12,155	\$15,106	3,880	38%	\$11,950	-2%
		251		None	\$10,059	6,781	63%		\$10,024	6,358	62%		
Surgical Ablations		228	Other cardiothoracic procedures	MCC	\$42,262	2,275	39%	\$33,808	\$39,751	3,770	43%	\$32,867	-3%
		229		CC-16, None-17	\$28,302	3,493	61%		\$27,620	4,946	57%		
Catheter Ablations		273	Percutaneous intracardiac procedures	MCC	\$21,495	6,611	31%	\$17,081	\$21,576	6,947	31%	\$18,201	7%
		274		None	\$15,089	14,653	69%		\$16,689	15,503	69%		
Defibrillator Systems; CRT-D		222	Cardiac defibrillator implant with cardiac catheterization with AMI/HF/shock	MCC	\$50,144	1,618	58%	\$45,440	\$51,155	1,534	62%	\$46,416	2%
		223		None	\$38,833	1,152	42%		\$38,835	959	38%		
		224	Cardiac defibrillator implant with cardiac catheterization without AMI/HF/shock	MCC	\$45,234	2,266	50%	\$39,689	\$44,256	2,145	53%	\$39,464	-1%
		225		None	\$34,116	2,255	50%		\$34,130	1,927	47%		
		226	Cardiac defibrillator implant without cardiac catheterization	MCC	\$41,115	4,815	37%	\$35,673	\$40,972	4,419	40%	\$35,897	1%
		227		None	\$32,537	8,353	63%		\$32,580	6,762	60%		

IPPS Comparison Chart: FY 2017 vs. FY 2018 (continued)

Technology	MS-DRG	Description	Severity	Final 2017 ²				Final 2018 ³				
				Payment	Cases	%	Wtd Avg	Payment	Cases	%	Wtd Avg	% Change
Defibrillator Generator and Lead	245	AICD generator procedures	NA	\$28,473	1,577	100%	\$28,473	\$32,870	2,554	100%	\$32,870	15%
	265	AICD lead procedures	NA	\$19,149	652	100%	\$19,149	\$20,114	899	100%	\$20,114	5%
Pacemaker Systems; CRT-P	242	Permanent cardiac pacemaker implant	MCC	\$22,068	17,819	28%	\$16,593	\$22,336	17,891	29%	\$16,799	1%
	243		CC	\$15,707	26,596	42%		\$15,727	26,193	42%		
	244		None	\$12,758	19,283	30%		\$12,898	18,197	29%		
Pacemaker Generator	258	Cardiac pacemaker device replacement	MCC	\$18,100	650	26%	\$13,468	\$18,578	805	29%	\$14,322	6%
	259		None	\$11,870	1,885	74%		\$12,581	1,967	71%		
Pacemaker Revision; ICMS	260	Cardiac pacemaker revision except device replacement	MCC	\$22,443	2,113	30%	\$14,423	\$21,622	2,241	31%	\$14,337	-1%
	261		CC	\$11,679	3,353	48%		\$11,679	3,456	47%		
	262		None	\$9,551	1,590	23%		\$9,953	1,628	22%		
LVAD	1	Heart transplant or implant of heart assist system	MCC	\$161,616	1,926	87%	\$153,408	\$153,259	2,151	88%	\$145,970	-5%
	2		None	\$96,339	277	13%		\$91,905	290	12%		
CentriMag™ Pump	215	Other heart assist systems implant	NA	\$96,057	267	100%	\$96,057	\$77,678	304	100%	\$77,678	-19%
CardioMEMS™ HF System	264	Other circulatory system operating room procedures	NA	\$17,614	15,254	100%	\$17,614	\$19,396	9,237	100%	\$19,396	10%
DBS	40	Generator only implant or replacement, single/multi array non-rechargeable or multi-array rechargeable	MCC	\$22,135	4,807	35%	\$15,765	\$22,960	4,463	37%	\$16,914	7%
	41		CC	\$12,653	6,560	48%		\$14,051	5,310	44%		
	42		None	\$11,321	2,295	17%		\$11,511	2,181	18%		
	23	System implant, multi-array, rechargeable or non-rechargeable, plus leads	MCC	\$32,061	6,937	72%	\$29,820	\$33,142	7,694	74%	\$30,553	2%
	24		None	\$23,922	2,636	28%		\$23,097	2,671	26%		
	25	System implant, single array generator plus leads	MCC	\$25,293	19,271	51%	\$20,579	\$25,959	19,661	50%	\$20,972	2%
	26		CC	\$17,725	8,190	22%		\$18,079	8,960	23%		
27	None		\$14,170	10,529	28%	\$14,253		10,739	27%			
SCS for Pain	29	Spinal procedures or spinal neurostimulators	CC	\$19,013	3,557		\$19,013	\$19,735	3,250	47%	\$19,735	4%
	518	Back & neck procedures excluding spinal fusion, or disc device/ neurostimulator	MCC	\$17,253	4,370		\$17,253	\$17,437	4,079	18%	\$17,437	1%
Peripheral Interventions	252	Other vascular procedures	MCC	\$19,754	32,221	39%	\$16,383	\$19,492	35,671	46%	\$16,434	0%
	253		CC	\$15,768	35,331	43%		\$15,281	28,906	37%		
	254		None	\$10,593	15,006	18%		\$10,928	13,757	18%		
Carotid Artery Stenting	34	Carotid artery stent procedure	MCC	\$22,961	786	12%	\$13,076	\$24,060	608	12%	\$13,157	1%
	35		CC	\$13,934	1,945	31%		\$13,428	1,681	33%		
	36		None	\$10,428	3,564	57%		\$10,632	2,806	55%		

2. Source CMS-1655-FC
3. Source: CMS-1677-F

INCREMENTAL REIMBURSEMENT FOR NEW HF PATIENT TECHNOLOGIES

To reflect the additional cost of new technology that has demonstrated a “substantial clinical improvement” from FY 2015 through FY 2017, CMS has approved the incremental reimbursement for inpatient procedures utilizing the CardioMEMS™ HF System available from Abbott, for all procedures performed on or after October 1, 2014. Due to the maturity of the technology, CMS is ending the add-on payment. As of October 1, 2017, implants of the CardioMEMS™ HF System are no longer eligible to receive an add-on payment outside of their DRG rate.

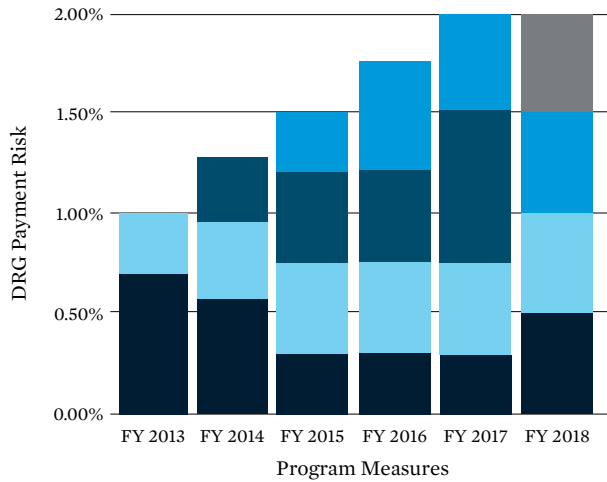
THE ADVANCE OF MEDICARE PAYMENT RISK CONTINUES

As planned, the Medicare program will continue the scope and severity of its payment reform initiatives, including the Hospital Readmissions Reduction Program, and the Value-Based Purchasing Program. Risk to inpatient DRG payments will continue at 3% and will increase to 2% for these two programs, respectively.¹ The FY 2013 through FY 2018 makeup and impact of these two payment reform programs are illustrated by the Health Economics and Reimbursement Department of Abbott in the charts below.

As payment reforms continue to impact the CVSL, and as Medicare changes the way in which health care providers are paid, Abbott will continue to explore programs that seek to improve meaningful patient outcomes through shared risk.

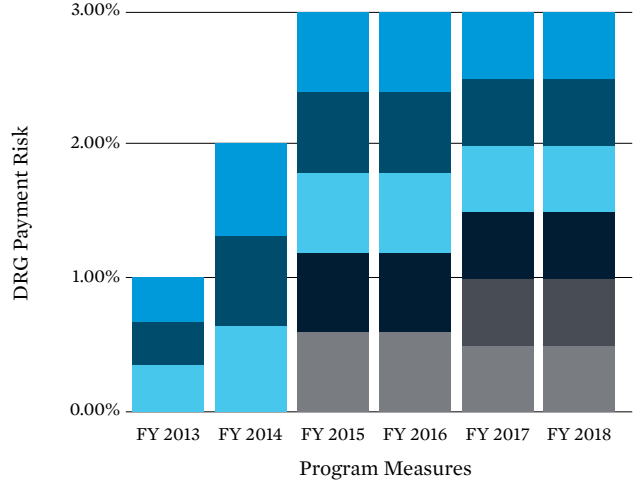
For more information on how Medicare’s rulemaking or reform initiatives may impact your facility or institution, please contact Abbott’s Reimbursement team at 855-569-6430 or at HCE@sjm.com.

Hospital Value-Based Purchasing Program
FY 2013 through FY 2018 Comparison^{1,4}



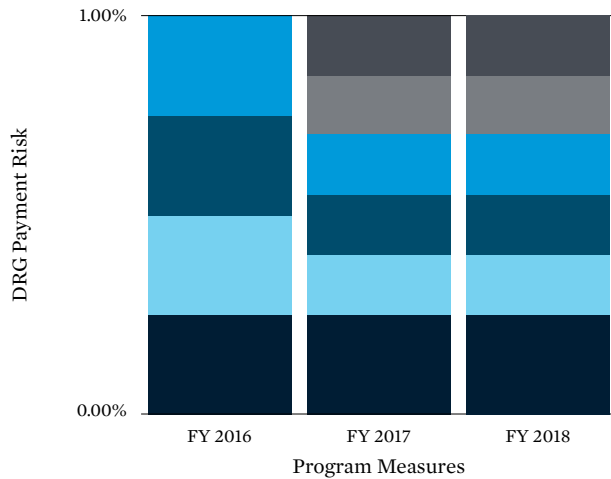
- Efficiency
- Outcomes of Care
- Patient Experience of Care
- Clinical Process of Care
- Safety

Hospital Readmissions Reduction Program
FY 2013 through FY 2018 Comparison^{1,4}



- Heart Failure
- AMI
- Pneumonia
- COPD
- Total Hip/Knee Replacement
- Coronary Artery Bypass Graft

Hospital-Acquired Conditions Reduction Program
FY 2016 through FY 2018 Overview^{1,4}



- Surgical Site Infections for Colon Surgeries and Abdominal Hysterectomies
- Catheter-Associated Urinary Tract Infections
- Central Line-Associated Bloodstream Infections
- Patient Safety Indicators
- MRSA Infection
- Clostridium Difficile Infection

4. Tables created by Abbott Health Economics and Reimbursement team based on analysis of Medicare 2018 IPPS Final Rule as of September 2017.

This update is intended to provide general information to assist the reader in understanding the Medicare IPPS final rule for fiscal year 2018. We encourage readers to review the regulation and other interpretive materials for a full and accurate understanding of the contents. This information does not guarantee coverage or payment at any specific level.

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One St. Jude Medical Dr., St. Paul, MN 55117 USA, Tel: 1 651 756 2000

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Brief Summary: Prior to using these devices, please review the Instructions for Use for a complete listing indications, contraindications, warnings, precautions, potential adverse events and directions for use.

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22732-SJM-MEM-0815-0178(2) | Item approved for U.S. use only.

