

## Patient Access to Specialized Tracheostomy Tubes

### **Summary**

A tracheostomy is a surgical opening created at the front of the neck so a tube can be inserted into the trachea to allow the patient to breathe. While most patients can use standard tracheostomy tubes, certain patients, due to unique physiology, require specialized tracheostomy supplies to accommodate their medical need. These include pediatric patients (*e.g.*, those with chronic respiratory conditions leading to chronic respiratory failure; critical airways; congenital defects; and Bronchopulmonary Dysplasia (BPD)); and adult patients with anatomical anomalies, such as tracheal stenosis, requiring a long trach or customized for cuff placement, as well as morbidly obese patients requiring longer specialty tracheostomy tubes.

These specialized tracheostomy tubes are included in HCPCS codes A7520, A7521, and A7522, which describe a broad array of tracheostomy tubes, many of which are standard/non-specialized tracheostomy tubes. The Medicare fee schedules for these codes do not begin to cover suppliers' acquisition cost of the specialized tracheostomy tubes. Non-Medicare payers tend to follow Medicare payment policy (or pay even less than Medicare), even though they are under no obligation to do so. Some large non-Medicare payers reimburse at hundreds of dollars *less* than the acquisition cost of the specialized tracheostomy supplies. This creates a present – and increasing – threat to the sustainability of providing these specialty supplies to vulnerable patients who need them to breathe. It is important to take steps now before this problem grows in scale and impact.

### **Request**

Payers should establish fair and reasonable pricing for the specialized tracheostomy supplies that accounts for their significantly higher acquisition cost to ensure that patients with a medical need for them have appropriate access.

### **Solutions**

Several payers across the country, including state Medicaid plans, managed Medicaid plans and commercial plans have created solutions through the claims processing system to allow providers to identify when a trach tube is a specialty item, and to allow for higher reimbursement than standard trach tubes:

1. *Modifiers*: Some payers allow the provider to use a modifier with the HCPCS code, to identify a specialized trach tube and receive a higher payment amount that covers the cost of the product.<sup>1</sup>
2. *Cost-Plus Payment Method*: Some payers allow the supplier to submit the claim using a miscellaneous code and submit acquisition cost documentation to receive reimbursement on a "cost plus" basis.<sup>2</sup>
3. *Direct Payment Increases*: Several payers, such as state Medicaid programs in Indiana and Ohio, have recently increased payment for these items 5-10%.<sup>3</sup>

### **Background**

There is a small, but important, percentage of patients who require specialized tracheostomy tubes. These are patients with anatomical requirements outside of the standard measurements, or with certain anatomical

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<sup>1</sup> For example, the Ohio and Massachusetts Medicaid programs have implemented a modifier approach to bill and receive higher payment for specialty trach tubes.

<sup>2</sup> For example, Colorado Medicaid, Georgia Medicaid, Kentucky Medicaid, North Carolina, and Virginia Medicaid programs use a cost-plus payment methodology for specialty trach tubes. Some of these programs require prior authorization.

<sup>3</sup> Ohio Medicaid Fee Schedule '23 ([here](#)); Georgia Medicaid Fee Schedule January '23 ([here](#)); Indiana Medicaid Fee Schedule '23 ([here](#))



abnormalities. As a result, it is simply not possible for these patients to use a standard tracheostomy tube, to enable them to breathe.

The three HCPCS codes that describe tracheostomy tubes (A7520, A7521 and A7522) are all-inclusive HCPCS codes that do not account for significant variations in materials, cuffs and other specialized features that are significantly more expensive than tracheostomy tubes without these specialized features. The Medicare fee schedule amounts for these HCPCS codes are significantly less than suppliers' acquisition costs for the specialized tracheostomy tubes.

**Medical Supply Companies Have Incurred Significantly Higher Costs**

As has been the case for other parts of the health care industry, the COVID-19 public health emergency has caused further and substantial cost increases. The global supply chain strain and cost increases have significantly impacted the medical supply industry. Significantly higher acquisition costs for specialized tracheostomy tubes, increased transportation costs, container shortages, delayed transportation times, increased material costs have all led to significant costs increases for medical device and supplies manufacturers and distributors. Unlike other sectors, payers' pre-determined pricing structures fail to factor in the increased cost realities of providing medical equipment and supplies. Medical supply companies also incur costs related to customer service, infrastructure, third party billing and other operational costs to ensure that patients receive the most medically appropriate items. *Without immediate intervention it may become cost-prohibitive to continue providing specialized medical supplies to those who need them to safely manage their medical conditions. Disruption in access could lead to adverse health outcomes and increased overall costs of care.*

**ASK: Payers should establish fair and reasonable pricing for the specialized tracheostomy supplies that accounts for their higher acquisition cost to ensure that patients with a medical need for them have appropriate access.**