How a New Technology Add-On Payment (NTAP) Works

Summary

Additional Medicare payment options available for new, high-cost technologies used in the inpatient setting.

Under the Inpatient Prospective Payment System (IPPS), Medicare pays for a patient’s inpatient hospital stay under 1 bundled payment, which covers all costs for acute care services performed. Some examples of costs include room and board, operating room, nursing, supplies, laboratory services, and radiology. Although drugs, devices, and supplies typically fall under this bundled payment, there is an exception to this rule, known as new technology add-on payments (NTAPs).

When certain criteria are met, the Centers for Medicare & Medicaid Services (CMS), may provide additional payment for new, high-cost technologies in the inpatient setting. An NTAP provides additional payment to hospitals above the standard Medicare Severity Diagnosis-Related Group (MS-DRG) payment amount. A given technology’s NTAP designation lasts no more than 3 years for a specific indication. In order to qualify generally, a technology must meet 3 criteria:

- **Newness:** A technology is considered new until claims data reflecting the use of that technology become available. The technology must also not be “substantially similar” to existing technologies
- **Cost:** The technology is inadequately paid under the existing MS-DRG system as shown by the average standardized charge for inpatient cases receiving the technology exceed the cost threshold
- **Clinical Improvement:** Use of the technology must significantly improve clinical outcomes for a patient population as compared to currently available treatments. Clinical data must be
specific or generalizable to Medicare patient population

Devices that obtain breakthrough designation and drugs that obtain qualified infectious disease product (QIDP) designation from the FDA only need to show they meet the cost criteria. CMS will assume the technology meets the newness and clinical improvement criteria.

NTAP applications are due in October for the following fiscal year. Technologies with NTAP designation are reviewed each year by CMS in the annual IPPS rulemaking process to determine continued eligibility for this designation using the same criteria described above. Having supported over 9 successful applications in the past 7 years, experts at Avalere have a comprehensive understanding of the NTAP process and can support manufacturers with the following:

- Providing a NTAP primer to fully explain the process, key internal stakeholder involvement, timelines, and case studies of successful, similar technologies
- Conducting cost feasibility assessment to determine the likelihood of meeting the cost criteria
- Reviewing available clinical evidence and assessing the technology ability to meet newness and clinical improvement criteria
- Drafting and submitting the NTAP application including completing the cost threshold portion of the NTAP application
- Preparing clients for CMS’ annual NTAP town hall meeting as well as scheduling informational sessions with CMS prior to submission to seek clarification on specific NTAP evidence
- Creating and submitting the ICD-10-PCS code request and preparing client for ICD-10 Coordination and Maintenance Committee meeting
- Drafting the IPPS proposed comment letter for submission

The NTAP application process (as shown in the FY2020 and expected FY2021 timelines below) requires submission of the application in October. Given the cost analyses and clinical information required as part of this application, manufacturers should begin working on their NTAP application now.
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