There are certain drugs Medicare will not reimburse your facility for—even if they are given to a patient during surgery. These medications fall in the confusing category of self-administered drugs, or SAD.

It’s wise to know your organization’s policy on SAD. If the policy is to bill patients for these medications, your staff needs to inform patients they will be responsible for paying for them and why.

OR Manager asked Keith Siddel, MBA, an expert on health care business operations, to respond to a reader’s question on self-administered drugs. He is CEO of HRM Consulting, Creede, Colorado.

Q: What are the revenue implications of self-administered drugs? How does this affect surgical services?

Siddel: The issue of self-administered drugs has been around for a number of years. The original idea was that if you give patients a medication in the hospital that they could take at home, it will cost Medicare a lot more because of the hospital markup. An example is a cardiac drug a patient receives in the emergency room that she could take at home. As a result, Medicare decided it would not pay for SAD.

That original concept has changed a lot. Medicare has expanded the definition of SAD to mean anything that not only is self-administered but also can be self-administered. In other words, a drug is defined as a SAD if patients in general can self-administer the drug even if an individual patient could not—say the patient is in a coma and has both arms broken.

Examples of SAD are liquid medications a person can drink, a pill, a suppository, and eye drops. (There are a few narrow exceptions.)

Confusion over definition

This broad definition causes a lot of confusion, both for patients and facilities.

For example, a patient comes to the hospital for outpatient eye surgery and is given general anesthesia. During the surgery or postop recovery, the patient is given expensive eye drops. The patient is then discharged. Under Medicare regulations, the facility can’t bill those eye drops to Medicare because the drops could have been self-administered, even if the individual patient was not able to do so. Another example is postoperative pain medication, which may also be a SAD.

Medicare has another rule that can affect coverage of medications in this setting. That is, a facility can only bill the payor for a 24-hour supply of these medications given to the patient upon discharge unless it has a retail pharmacy license and takes Medicare Part D (pharmaceutical coverage).

Need for policy

A facility needs a uniform policy on SAD. The choices are to write off the
charges for these drugs, which can be substantial, or to bill patients directly. Billing patients and collecting from them take a lot of time and effort and cause PR problems.

For instance, using the eye-surgery example, let’s say your facility bills the patient for the drops. The patient might say: “But I was asleep when I got the drops. Why didn’t you tell me in advance you were going to bill me $75 for eye drops? Are you kidding?”

**Make a decision upfront**

Medicare does not require you to inform patients if you decide to bill them for SAD. That’s because Medicare excludes SAD from its coverage by statutory regulation. Medicare assumes patients are supposed to know that—but, of course, most don’t.

Thus, your facility needs to make a decision upfront about whether to bill patients for SAD or not. If the facility does bill, it’s wise to make sure the staff informs patients in advance they will receive a bill for these self-administered drugs and why. Otherwise, your billing department is going to get a lot of questions.