DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Room 352-G
200 Independence Avenue, SW
Washington, DC 20201
Office of Communications

FACT SHEET

FOR IMMEDIATE RELEASE
July 1, 2011

Contact: CMS Media Relations Group
(202) 690-6145

CMS proposals for changes to physician payment policies and rates for calendar year 2012

OVERVIEW

On July 1, 2011, the Centers for Medicare & Medicaid Services issued a proposed rule that would update payment policies and payment rates for services furnished to Medicare beneficiaries on or after Jan. 1, 2012, and paid under the Medicare Physician Fee Schedule (MPFS). The proposed rule also proposes changes to the Physician Quality Reporting System, the Electronic Prescribing Incentive Program (ePrescribing), and Electronic Health Records (EHR) Incentive Program, and takes the first step to proposing a framework for a new value-based modifier that was mandated by the Affordable Care Act for implementation in calendar year (CY) 2015. These proposals are discussed in more detail in a separate fact sheet, also issued today.

BACKGROUND

Since 1992, Medicare has paid for the services of physicians, nonphysician practitioners (NPPs), and certain other suppliers under the MPFS, a system that pays for covered physicians' services furnished to a person enrolled under Medicare Part B. Under the MPFS, in general, a relative value is assigned to each of more than 7,000 services to capture the amount of work, the direct and indirect (overhead) practice expenses, and the malpractice insurance expenses typically involved in furnishing the service. The higher the number of relative value units (RVUs) assigned to a service, the higher the payment. The RVUs for a particular service are multiplied by a fixed-dollar conversion factor and a geographic adjustment factor to determine the payment amount for each service.

-More-

PROPOSED CHANGES TO PAYMENT POLICY

MPFS conversion factor for CY 2012: In March, CMS projected a reduction of 29.5 percent to the conversion factor for 2012, based on the application of a formula specified in the Medicare law – the sustainable growth rate (SGR). The proposed rule does not address this issue because this reduction can only be averted through a change in law. The President's budget submission for fiscal year (FY) 2012 would extend current payment rates through Dec. 31, 2013.

Merging Review of Potentially Misvalued Codes and Five-Year Comprehensive Reviews: CMS is proposing to continue efforts to identify potentially misvalued codes. Further, CMS is proposing to merge the comprehensive reviews of work and practice expense relative value units (RVUs) that are required by the Medicare law every five years into the Potentially Misvalued Codes review process. The proposed rule includes two lists of potentially misvalued codes – 1) all evaluation and management (E/M) codes; and 2) the highest non-E/M expenditure codes for each specialty. These reviews are intended to improve the accuracy of payment for services, especially primary care services and would ensure that the misvalued code effort looks broadly at all physician fee schedule services and not just those that are performed by specific specialties.

Expanding how the multiple procedure payment reduction is applied to advanced imaging services: CMS is proposing to extend the multiple procedure payment reduction (MPPR) policy to the professional component (PC) of advanced imaging services – specifically, computed tomography (CT) scans, magnetic resonance imaging (MRI), and ultrasound. This proposal reflects CMS' belief that there are efficiencies in physician work, especially in the pre- and post-service periods, when more than one imaging service is furnished to a patient in one day. This proposal, which would affect about 100 types of services, would be the first time the MPPR was applied to the physician work component of services. Under this proposed policy, the procedures with the highest PC payment would be paid in full. The PC payment would be reduced by 50 percent for subsequent procedures furnished to the same patient, on the same day, in the same session. CMS estimates that this would reduce payments for these services by about $200 million, which would be redistributed to other services paid under the MPFS.

Proposals affecting the Geographic Practice Cost Indices (GPCIs): The Affordable Care Act made temporary adjustments to the GPCI that would be in place until 2012. At the same time, CMS and the Institute of Medicine were to study concerns raised by stakeholders about the accuracy of the GPCIs. As a result of this work, CMS is proposing to use residential rent data from the Census Bureau's American Community Survey (ACS) in lieu of the Fair Market Rent (FMR) data from the Department of Housing and Urban Development as a proxy for variations in physician office rents. CMS is also proposing to refine the occupations that it uses to calculate geographic differences in employee compensation to consider wages of professional and non-professional staff in a medical office. The expiration of the Affordable Care Act adjustments

will have an impact on payments in certain areas. There will be little additional payment impact from the proposed changes being made to the GPCI.

Proposals affecting telehealth: CMS is proposing to add smoking cessation counseling to the list of telehealth services. In addition, CMS is proposing to change the way additional services are added to the telehealth list by focusing on the clinical benefit, rather than on whether the telehealth service is equivalent to a corresponding in-person service. The proposed change would likely improve access to care by expanding the list of services eligible to be delivered via telehealth. If adopted, this would affect the evaluation of services discussed in the CY 2013 proposed rule.

Other payment proposals in the CY 2012 MPFS proposed rule:

- *Transition to new Practice Expense RVUs* - The proposed rule would implement the third year of a 4-year transition to new practice expense relative value units, based on data from the Physician Practice Information Survey that was adopted in the MPFS CY 2010 final rule.

- *Payment for certain Part B drugs* – CMS is proposing to substitute 103 percent of the Average Manufacturer's Price for certain drugs currently paid at 106 percent of the manufacturer's average sales price (ASP). This proposal would apply to drugs that have exceeded a price substitution threshold in two consecutive quarters or three of the preceding four quarters, and only if the substituted price was lower than the calculated price using 106 percent of ASP for the target quarter.

CMS will accept comments on the proposed rule until Aug. 30, 2011. In addition, CMS' Five-Year Review of Work Relative Value Units Under the Physician Fee Schedule was published in the *Federal Register* on June 6, 2011. Comments on this five-year review are accepted through July 25, 2011. We note that CMS will respond to comments on both the five-year review and the CY 2011 PFS proposed rule in a final rule to be issued on or about Nov. 1, 2011 that sets forth the policies and payment rates effective for services furnished to Medicare beneficiaries on or after Jan. 1, 2012.

For more information, see:

http://www.ofr.gov/inspection.aspx?AspxAutoDetectCookieSupport=1

# # #