

Neurologists May Dodge Full Impact of 5% Fee Cut

Congress may act to reverse the Medicare payment cuts, as it has done four times from 2003 to 2006.

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Physicians may be feeling a sense of déjà vu with the announcement from Medicare that physician payments will be cut 5% as of Jan. 1, 2007.

The news may be less bad for neurologists. An increase in their work relative value units (RVUs) may partially offset the Medicare fee cut.

This is the fifth year in a row that physicians have been threatened with a payment cut under Medicare. Medical specialty societies have been urging Congress to step in and avert this most recent across-the-board cut, as they have for the past 4 years.

The cut, announced in early November by officials at the Centers for Medicare and Medicaid Services, is part of the Medicare Physician Fee Schedule final rule, which is issued annually.

This year's rule also sets the Medicare conversion factor—a multiplier used to calculate payments for each service physicians provide—at \$35.98.

The 5% cut is required under a payment formula passed by Congress several years ago. That formula, known as the sustainable growth rate (SGR), “was designed to adjust the update to make actual [expenditures] and target expenditures equal over time,” according to CMS policy.

“If outlays under the fee schedule are higher than the [spending target set by the government], the update is decreased. Conversely, if outlays are lower than the target, the update is increased.” The cut announced by CMS is slightly less than the 5.1% figure that the agency estimated earlier this year.

The final rule also includes some good news for physicians who spend a lot of time performing evaluation and management services. CMS has finalized plans to

increase the work RVUs for evaluation and management services, which make up much of the practice of primary care and other cognitive specialties.

Each physician service in the fee schedule has a certain number of RVUs associated with it; the RVUs are then multiplied by the conversion factor to arrive at a charge for the service.

The increases for evaluation and management services were recommended by the American Medical Association (AMA) Relative Value Scale Update Committee (RUC) as part of a 5-year review. However, they may be largely offset by the 5% across-the-board payment cut, according to the AMA.

“For the great majority of primary care physicians, the overall physician payment cut due to the flawed payment formula will negate any payment increases specific to physician office visit payments,” Dr. Cecil B. Wilson, AMA board chair, said in a statement.

CMS estimated in the final rule that internal medicine will experience a 1% overall cut in allowed charges under Medicare due to the combination of the changes to work and practice expense RVUs, the SGR cut, and other cuts called for under the Deficit Reduction Act of 2005. Family physicians will break even once all factors are calculated. Cognitive specialties such as neurology will see a 4% cut once all the changes have been considered. CMS estimates that only four specialties will see positive updates in 2007 once all the payment changes are factored in—emergency medicine (2%), endocrinology (1%), infectious disease (4%), and pulmonary disease (1%).

The final rule also implements a cut in payments for imaging services. Starting Jan. 1, physicians who perform multiple imaging procedures on contiguous body parts during the same session will be paid in full for the first procedure and then will receive a 25% cut in the technical component payment for additional imaging procedures.

In addition, the final rule implements cuts called for under the Deficit Reduction Act of 2005. Under this provision, the payment for the technical component of certain physician-performed imaging services is capped at the hospital outpatient amount for the same service. This cap does not apply to mammography services.

The AMA and other medical specialty organizations called on Congress to take action when it returns for a short lame-duck session.

The groups have been lobbying for months for Congress to pass stop-gap legislation that would eliminate the cut this year and give legislators time to agree on a new formula for determining physician payment under Medicare next year.

There is reason to think that Congress will act to reverse the payment cuts. From 2003 to 2006, Congress stopped Medicare

payment cuts scheduled to take effect under the SGR formula. And as of press time, 80 senators and 265 representatives have signed letters to the congressional leadership calling for the cuts to be stopped.

“They certainly are aware that this is a problem,” said Michael Amery, legislative counsel for the American Academy of Neurology. The question is whether members of Congress will act and, if so, when. Congress may take action during the lame-duck session or wait until early 2007 to address the issue, he said.

“Physicians are really frustrated that everyone in Congress agrees” that there is a problem, “but they aren’t doing anything,” said Dr. Rick Kellerman, president of the American Academy of Family Physicians.

In the final regulation, CMS officials are giving with one hand and taking away with the other, Dr. Kellerman said. For example, the regulation outlines increases to the work RVUs for evaluation and management services often performed by primary care physicians, but uses an inappropriate mechanism to apply budget neutrality to the changes, he said.

CMS is required by law to keep the changes budget neutral, so officials at the agency will apply a 10.1% across-the-board cut to work RVUs without changing the number of RVUs assigned to each service. Making this adjustment to the work RVUs distorts the relative value system, Dr. Kellerman said. The budget neutrality adjustment should instead be made in the conversion factor, where the cut would be more transparent, he said.

But Dr. Kellerman praised the move by CMS to change the way it determines practice expense RVUs, which include the direct and indirect costs associated with a procedure.

Under the new system, practice expenses will take into account practice expense data from eight specialties. The changes to the practice expense RVUs are being phased in over 4 years.

The combined impact of the work and practice expense RVU changes are estimated by CMS to result in a 5% increase in charges for primary care specialties such as family medicine and internal medicine, and a 2% increase for neurology. However, once the 5% across-the-board SGR cut is made, neurologists will see a 4% cut in allowed charges under Medicare.

Although primary care specialties make out relatively well under the RVU changes, other specialties will face deep cuts under them.

For example, CMS estimates that cardiologists will face a 1% cut in allowed charges in 2007, and a 5% cut in 2010 based on changes to the work and practice expense RVUs. These cuts will be in addition to the 5% drop in reimbursement based on the SGR formula and the cuts related to in-office imaging services. ■

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