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

MEDICARE NEWS

FOR IMMEDIATE RELEASE
July 1, 2011

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CMS proposes policy, payment rate changes for the Physician Fee Schedule in 2012

The Centers for Medicare & Medicaid Services (CMS) today issued a proposed rule that would update payment policies and rates for physicians and nonphysician practitioners (NPPs) for services paid under the Medicare Physician Fee Schedule (MPFS) in calendar year (CY) 2012. More than 1 million providers of vital health services to Medicare beneficiaries – including medical and osteopathic physicians, limited license practitioners such as podiatrists, and NPPs such as nurse practitioners and physical therapists – are paid under the MPFS. CMS projects that total payments under the MPFS in CY 2012 will be $80 billion.

CMS is required to issue a proposed rule that reflects current law. Under current law, providers would face steep across-the-board reduction in payment rates, based on a formula– the Sustainable Growth Rate (SGR) – that was adopted in the Balanced Budget Act of 1997. If it goes into effect, Medicare payment rates are projected to be reduced by 29.5 percent for services in 2012. This is the eleventh time the SGR formula resulted in a payment cut, although the cuts have been averted through legislation in all but CY 2002. In 2010, three separate pieces of legislation were necessary to avert the payment cuts, followed by two additional enactments that authorized increases in the physician update, resulting in higher payment rates for physicians' services performed between June 1, 2010 through Dec. 31, 2011.

"This payment cut would have serious consequences and we cannot and will not allow it to happen," said Dr. Donald M. Berwick, CMS Administrator. "We need a permanent SGR fix to solve this problem once and for all. That's why the President's budget and his fiscal framework call for averting these cuts and why we are determined to pass and implement a permanent and sustainable fix."

In the 2012 proposed rule, CMS is significantly expanding the potentially misvalued code initiative, an effort to ensure Medicare is paying accurately for physician services and

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more closely managing the payment system. This year, CMS is focusing on the highest volume and dollar codes billed by physicians to determine whether these codes are overvalued and if evaluation and management codes are undervalued. In the past, CMS has targeted specific codes for review that may have affected a few procedural specialties like cardiology, radiology or nuclear medicine but not taken a look at the highest expenditure codes across all specialties.

"We believe strong efforts are needed to evaluate Medicare's fee schedule to ensure that it is paying accurately and ensuring that Medicare beneficiaries continue to have access to vital services, such as primary care services." said Jonathan Blum, Deputy Administrator and Director for the Center for Medicare.

CMS is also proposing some changes in how it adjusts payment for geographic variation in the cost of practice. The Affordable Care Act made some temporary adjustments that would be in place for two years while CMS and the Institute of Medicine study these issues. As part of this initiative, CMS is replacing some of the data sources—such as using data from the American Community Survey (ACS) in place of HUD rental data and also using ACS data in place of the data currently used for non-physician employee compensation—as well as making other adjustments called for in prior year public comments. Although these proposals result in very little change to the indices, they show that the data Medicare has used in the past and is proposing to use in the future produce consistent results—suggesting past year adjustments have accurately reflected geographic variations in the cost of practice.

The Institute of Medicine provided its first of three reports on geographic adjustment factors to CMS on June 1. CMS is continuing to evaluate IOM's recommendations.

Other changes in the proposed rule include:

- CMS is also proposing to expand its multiple procedure payment reduction to the professional interpretation of advance imaging services to recognize the overlapping activities that go into valuing these services.

- CMS is proposing criteria for a health risk assessment (HRA) to be used in conjunction with Annual Wellness Visits (AWVs), for which coverage began Jan. 1, 2011 under the Affordable Care Act. This proposal is intended to support a systematic approach to patient wellness and to provide the basis for a personalized prevention plan.

- CMS is proposing to expand the list of services that can be furnished through telehealth to include smoking cessation services. CMS is also proposing to change the way additional services are added to the telehealth list that would focus on the clinical benefit of making the service available through telehealth. If adopted, this change would affect services proposed for the telehealth list in CY 2013.

- The proposed rule would update a number of physician incentive programs including the Physician Quality Reporting System, the ePrescribing Incentive Program and the Electronic Health Records Incentive Program.

- The proposed rule also includes proposed quality and cost measures that would be used in establishing a new value-based modifier that would reward physicians for providing higher quality and more efficient care. The Affordable Care Act requires CMS to begin making payment adjustments to certain physicians and physician groups on Jan. 1, 2015, and to apply the modifier to all physicians by Jan. 1, 2017. CMS intends to work closely with physicians to ensure that efforts to improve the quality, safety, and efficiency of care do not diminish patient access to care. CMS is proposing to use CY 2013 as the initial performance year for purposes of adjusting payments in CY 2015.

- 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.

CMS will accept comments on the proposed rule until Aug. 30, 2011, and will review and respond to all comments in a final rule to be issued by Nov. 1, 2011.

For more information, see:

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

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