

CMS Announces Policy, Payment Rate Changes for the Physician Fee Schedule in 2012

The Centers for Medicare & Medicaid Services (CMS) today issued a final rule with comment period that updates payment policies and rates for physicians and no physician 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 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 approximately \$80 billion.

CMS is required to issue a final rule that reflects current law. Under current law, providers will face steep across-the-board reductions in payment rates, based on a formula– the Sustainable Growth Rate (SGR) – that was adopted in the Balanced Budget Act of 1997. Without a change in the law from Congress, Medicare payment rates to providers paid under the MPFS will be reduced by 27.4 percent for services in CY 2012—less than the 29.5 percent reduction that CMS had estimated in March of this year because Medicare cost growth has been lower than expected. This is the eleventh time the SGR formula has resulted in a payment cut, although the cuts have been averted through legislation in all but CY 2002. The Obama Administration is committed to fixing the SGR and ensuring these payment cuts do not take effect.

In the CY 2012 final rule, CMS is expanding the potentially misvalued code initiative, an effort to ensure Medicare is paying accurately for physician services and more closely managing the payment system. This year, CMS is focusing on the codes billed by physicians in each specialty that result in the highest Medicare expenditures under the MPFS to determine whether these codes are overvalued. 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 has not taken a look at the highest expenditure codes across all specialties. This effort results in increased payments for primary care services that have historically been undervalued by the fee schedule.

CMS is also making changes in how it adjusts payment for geographic variation in the cost of practice. The Affordable Care Act and the Medicare and Medicaid Extensions Act made some temporary adjustments that were in place for two years while CMS and the Institute of Medicine (IOM) began to comprehensively study these issues.

The final rule with comment period will appear in the Nov. 28, 2011, *Federal Register*. CMS will accept comments on those provisions that are subject to comment until Dec. 31, 2011, and will respond in the MPFS for CY 2013.

For more information, see:

<http://www.CMS.gov/PhysicianFeeSched/PFSFRN/list.asp>