

Medicare Fee Schedule Update for 2012

On Friday, December 23, 2011, President Obama signed into law the legislation necessary to temporarily prevent the scheduled Medicare SGR related payment cut for physicians and other practitioners from taking effect on January 1, 2012. The negative update for the 2012 Medicare Physician Fee Schedule is now scheduled to take effect on March 1, 2012.

While the physician fee schedule update will be zero percent, other changes to the relative value units (RVUs) used to calculate the fee schedule rates must be budget neutral. CMS is currently developing the 2012 Medicare Physician Fee Schedule (MPFS) to implement the zero percent update.

CMS previously announced that it was directing its contractors to hold new, January 2012 claims, for up to 10 business days in order to effectively test and implement the new 2012 MPFS. CMS expects these claims to be released into processing no later than January 18, 2012. Medicare contractors will be posting the new rates on their websites no later than January 11, 2012.

In addition, CMS and Congress implemented several changes and/or postponement of other policies scheduled to take effect on January 1, 2012. These include:

1. Current law requires payment rates under the MPFS to be adjusted geographically to reflect area differences in the cost of practice. The following three components of the MPFS payment are adjusted: physician work, practice expense, and malpractice expense. Section 303 of the TPTCCA extends the existing 1.0 floor on the physician work geographic practice cost index, through February 29, 2012. As with the physician payment update, this change will be accomplished through a revised 2012 MPFS.
2. CMS has increased the payment amount for the initial and annual wellness visit - which has no cost sharing for patients -- to account for the introduction of health risk assessment (HRA). In 2012, CMS will allow for variation in the content of the HRA.
3. For calendar year 2011, certain mental health services' payment rates continued to be increased by five percent over what they would otherwise be paid using the standard MPFS payment methodology. The legislation signed into law by President Obama on the 23rd extends the five percent increase in payments for these mental health services, through February 29, 2012. Similar to the zero percent update and the physician work geographic adjustment floor extension, the five percent increase will be reflected in the revised 2012 MPFS.
4. Again in 2012, primary care physicians, nurse practitioners, clinical nurse specialists, and physician assistants may be eligible to receive an incentive payment equal to 10 percent of their allowed charges for primary care services

under Medicare Part B. This incentive is paid in addition to any physician incentive payments for services furnished in Health Professional Shortage Areas. Please remember that if a practitioner has reassigned his or her benefits to another entity, such as a group practice, Medicare will pay that entity and not the individual practitioner.

5. The SGR bill signed into law on December 23rd extends the exceptions process for outpatient therapy caps. Outpatient therapy service providers may continue to submit claims with the KX modifier, when an exception is appropriate, for services furnished on or after January 1, 2012, through February 29, 2012. The therapy caps are determined on a calendar year basis, so all patients begin a new cap year on January 1, 2012. For physical therapy and speech language pathology services combined, the limit on incurred expenses is \$1,880. For occupational therapy services, the limit is \$1,880. Deductible and coinsurance amounts applied to therapy services count toward the amount accrued before a cap is reached, and also apply for services above the cap where the KX modifier is used.
6. In the final physician fee schedule regulation published in the Federal Register on November 2, 1999, CMS finalized a policy to pay only the hospital for the TC of physician pathology services furnished to hospital patients. Under prior policy, independent laboratories continued to be paid for the technical component of a pathology service provided to a hospital patient. At the request of the industry, to allow those independent laboratories that were separately paid for the technical component of a physician pathology service provided to a hospital patient sufficient time to negotiate new arrangements with hospitals, the implementation of this rule was administratively delayed until 2001. Subsequent legislation formalized a moratorium on the implementation of the rule. Although the most recent extension of the moratorium expired at the end of 2011, Congress has temporarily restored the moratorium through February 29, 2012. Therefore, those independent laboratories that are eligible may continue to submit claims to Medicare for the TC of physician pathology services furnished to patients of a hospital, regardless of the beneficiary's hospitalization status (inpatient or outpatient) on the date that the service was furnished. This policy is effective for claims with dates of service on or after January 1, 2012, through February 29, 2012.
7. By law, each of the following policies have been extended through February 29, 2012:
 - A. The 3 percent increase in the ambulance fee schedule amounts for covered ground ambulance transports that originate in rural areas and the 2 percent increase for covered ground ambulance transports that originate in urban areas;

- B. The provision relating to air ambulance services that considers any area that was designated as a rural area as of December 31, 2006, shall continue to be treated as a rural area for purposes of making payments under the ambulance fee schedule for such air ambulance services; and
 - C. The provision relating to payment for ground ambulance services where the base rate of the fee schedule is increased when the ambulance transport originates in an area that is included in those areas comprising the lowest 25th percentile of all rural populations arrayed by population density.
8. Congress has extended the Outpatient Hold Harmless provision, effective for dates of service on and after January 1, 2012, through February 29, 2012, to rural hospitals with 100 or fewer beds and to all sole community hospitals and Essential Access Community Hospitals regardless of bed size.
 9. The 2011 payment rate for bone mass measurement has been extended through February 29, 2012. Similar to the zero percent update and other provisions, this extension will be reflected in the revised 2012 MPFS.