



MEDICARE FEES FOR 2009: WHY MORE MAY BE LESS

- Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) provided for a 1.1% positive update for 2009
- But there are payment reductions for some services for other reasons
- Key sources of cuts
 1. Practice expense transition
 2. Budget neutrality (BN): Medicare payments to physicians come from a fixed pool of money. If changes in the values assigned to physician services cause total spending to increase/decrease by more than \$20M from the previous year, CMS must apply an adjustment to compensate for this fluctuation. Effectively, in the “zero sum game” of Medicare payments, gains by some often translate into losses by others.
- Next year, 2009 is the third year of a four year transition to new practice expense RVUs as the result of the statutorily mandated five year review of RBRVS values
 - Impact varies for different services since some CPT code values went up, some went down, but depending on the magnitude of value changes, the effects may be spread around because of BN
- Budget neutrality
 - Per MIPPA, for 2009 and forward, this adjustment is applied to the conversion factor (originally CMS applied BN to the work RVUs, but thanks to advocacy efforts of AMGA and many others, this ameliorating shift was made—applying the BN adjustment to the CF is better than applying it to work values in the minds of most experts we have talked to)
 - CMS has announced what the adjustments will be to the CF for 2009

Table 43: Calculation of the CY 2009 PFS CF

CY 2008 Conversion Factor	\$38.0870
CY 2009 CF Update	1.1 percent (1.011)
CY 2009 CF Budget Neutrality Adjustment	0.08 percent (1.0008)
5-Year Review Budget Neutrality Adjustment	-6.41 percent (0.9359)
CY 2009 Conversion Factor	\$36.0666

Source: Medicare Physician Fee Schedule CY 2009, page 979

While it doesn't compensate for the above, MIPAA did bolster the floor on Medicare work geographic adjustment to assure that it would be no less than 1.5% from the prior floor of 1%. This will boost reimbursements a bit.