

MEDICARE PHYSICIAN FEE SCHEDULE

THE LAW

Congress created the Medicare Physician Fee Schedule (MPFS) as well as the Sustainable Growth Rate (SGR) formula that serves as the underpinning of Medicare physician payment. The SGR is an expenditure target formula. Physician payments are cut if the growth in physician services exceeds expenditure targets.

The MPFS took effect in 1992 and replaced the reasonable charge payment method that had been in place since the Medicare program's inception. The MPFS covers more than 10,000 physician services, the associated relative value units (RVUs) for a service, a fee schedule status indicator and various payment policy indicators needed for payment adjustment.

MPFS pricing amounts are adjusted to reflect the variation in practice costs from area to area. A geographic practice cost index (GPCI) is established for every Medicare payment locality for each of the three components of a procedure's relative value unit. These components are RVUs for work (time, technical skill, physical effort, mental effort, judgment), practice expense (clinical staff time, equipment and supplies), and malpractice expense. The RVUs are then translated into a dollar amount by a conversion factor. The conversion factor update is determined by the Medicare Economic Index, the SGR, and other adjustments necessary to meet statutory obligations, including budget neutrality.

STOP-GAP FIXES

Over the last several years, physicians have faced substantial payment cuts under the flawed SGR formula. With one exception when payment cuts were temporarily allowed to take effect, each year Congress has acted, often multiple times, to provide temporary payment "fixes" so

that physician reimbursement under Medicare is either frozen or provided with a small increase.

CONGRESSIONAL ACTION 2014

There was substantial momentum during the first session of the 113th Congress to address comprehensive Medicare payment reform. However, at the last minute, much anticipated agreements unraveled and Congress was forced to consider another temporary fix for Medicare physician payment.

Congress passed, and President Obama signed into law on April 1, 2014, the “Protecting Access to Medicare Act of 2014.” The law provides a reprieve from the 24 percent Medicare physician payment cut that was slated to take effect on April 1, 2014. A 0.5 percent positive payment update will remain in force through the end of this year. A Medicare payment freeze will be in place from January - March 2015. This means that Congress will once again need to consider permanent fixes to the broken Medicare payment formula.

WHAT YOU CAN DO

When Congress once again considers Medicare payment reform, ABC will issue a grassroots action alert. We will ask all ABC members to contact your U.S. Representative and two U.S. Senators. We will encourage you to let them know that there must be a long term solution to Medicare payment reform. Let them know that the current payment system fosters a lack of confidence in the Medicare program. Make sure they understand how this uncertainty is especially problematic for providers who deliver medical services to traditionally under-served populations. Ask them to work with the House of Medicine to achieve workable payment reform. Importantly, tell them what the situation is like in the community where you live and work. Lawmakers care most about what is happening in their Congressional District/State.