



2008 Medicare physician payment rates: What to expect in your practice

Factors affecting 2008 rates

In the waning hours of the 2007 legislative session, the U.S. Congress passed a law that postponed for six months the 10 percent cut in the Medicare conversion factor that was slated to occur on Jan. 1, 2008. **This law provides for a 0.5 percent increase in the conversion factor from January through June 2008.**

The conversion factor change is not the only change affecting 2008 Medicare payment rates, however. Payment changes will vary by service, specialty and locality based on the following factors:

- This year will be the second of a four-year transition to **revised practice expense relative value units**.
- A number of services have revised **relative value units for physician work**. This change particularly affects anesthesiology, home health and eye exam services, which increase significantly.
- The **budget neutrality adjustment** created last year to adjust for changes from the 5-year review of work values has been increased, which will decrease payments for most services by about one percent.
- The **geographic adjustment factors have been updated**, as they are every three years. The magnitude of the geographic changes is generally small but it affects many payment localities. In addition, the law just passed by Congress continued the floor on the work GPCI and the physician scarcity area bonuses until June 2008.
- **Some services have been added to those that are subject to imaging payment cuts stemming from** the Deficit Reduction Act of 2005 which limits payments to no more than the comparable payment in hospital outpatient departments.

The combined impact of these various payment changes on your practice depends on your specialty, location and service mix. When all of the changes are averaged out across all physicians, there should be a slightly positive increase in rates, but many physicians will see net decreases in payments.

Many other payers as well as Medicare Advantage plans link their rates to the Medicare rates in some way. **No information is available about how other payers plan to adjust their rates in response to the six-month intervention by Congress.**



Physician Quality Reporting Initiative (PQRI)

During July through December 2007, physicians who reported on quality measures included in the PQRI became eligible to receive a bonus of 1.5 percent of their total Medicare allowed charges for that six-month period. The bonus payments will be made as a lump sum payment sometime after February 2008.

The law just passed by Congress extends this program for an additional year. Physicians who participate in the PQRI from January through December 2008 will be eligible to receive a bonus of 1.5 percent of their total Medicare allowed charges for the year 2008 as a lump sum payment sometime after February 2009. Visit www.ama-assn.org for more information about the measures used in the PQRI program and how to report them.

Participation options

For 45 days at the end of each year, physicians have an opportunity to notify Medicare whether they will be a “participating” or a “non-participating” physician in the coming year. Participating physicians agree to accept assignment on all their Medicare claims. Non-participating physicians can make assignment decisions on a claim-by-claim basis. Medicare payment rates for non-participating physicians are 5 percent lower than payment rates for participating physicians, but non-participating physicians can balance bill patients for more than the Medicare rate, up to a “limiting charge” amount. Physicians also have the ability to “opt out” of Medicare and privately contract with their patients, but neither they nor their patients can submit any claims to Medicare for their services for a two-year period.

Because Congress acted very late in the session to prevent a 10 percent Medicare pay cut, Medicare has indicated that it will be reopening the participation decision period for an additional 45 days. **With a 10 percent cut looming in the middle of the year, the participation decision is more complicated.** While it is possible that the participation period decision will be re-opened at that time, there is no guarantee. Visit www.ama-assn.org for a document that describes the various Medicare participation options.

Future outlook

By providing just a temporary six-month reprieve from the 10 percent pay cut, the legislation passed by Congress leaves the outlook beyond the next six months highly uncertain. The AMA will mount an aggressive effort in coming weeks to secure a longer-term solution to this continuing Medicare crisis. Visit www.ama-assn.org/grassroots to see how you can help in this effort.