

2008 Medicare Physician Fee Schedule

On December 20, 2007, Congress passed a six-month correction for the 2008 Medicare fee schedule, eliminating the expected 10.1% decrease in reimbursement and providing a .5% boost, and President Bush signed this correction into law. It is still possible, however, that some fees for 2008 will be slightly lower than they were in 2007 because of the budget neutrality requirements that govern Medicare.

The way Medicare fees are established is extremely complex. To determine the reimbursement amount for each procedure (or CPT code), a conversion factor is multiplied by the relative value units (RVUs) that have been assigned to that procedure, and then an adjustment is made based on the geographic location of the practice. The number of RVUs assigned to a procedure is based on three elements: the work required for the procedure, the practice expense incurred for the procedure, and the cost of the provider's professional liability insurance.

Medicare law requires that the Centers for Medicare and Medicaid Services (CMS), which administers Medicare, make an adjustment to fees to maintain budget neutrality if changes to the RVUs result in an increase or decrease in overall fee schedule outlays of more than \$20 million dollars.

For 2008 there was an average 32% rise in RVUs for anesthesiology services based on the required five-year review of these codes. As a result, CMS implemented a budget neutrality adjuster that was applied to the work RVUs assigned to every procedure for payment purposes. In other words, as a result of the increase in anesthesiology values, all work values for 2008 were adjusted down almost 2% from the 2007 values to bring spending in line with Medicare's budget neutrality requirements. Because work values make up the largest proportion of psychiatry RVUs, psychiatry may be hit harder by the work adjuster than some other specialties. It should be noted that the APA and AMA lobbied to have the budget neutrality adjuster apply to all three RVU elements rather than just to the work portion, but this was not done.

What This Means for You

What this all means is that even though Congress has raised the current conversion factor by .5% for the first six months of 2008, the codes you use may still pay slightly less than they did in 2007. To find the current 2008 Medicare fee schedule for your location, you should go to your state's Medicare Carrier's website. It is as yet unclear what will happen on July 1. A list of the carriers with links to their websites can be found on the APA website at http://www.psych.org/psych_pract/medicare_medicaid/medicare_carriers/medcarrier_list.cfm?pf=y

If You're Thinking About Changing Your Medicare Status

If you want to change your Medicare participation status from participating (Par) to non-participating (Nonpar), which would increase your reimbursement by about 9% (but would mean you would have to collect the entire fee from your patient upfront), you have until mid February to inform your Medicare contractor in writing of your decision to terminate your Par agreement starting January 1,

2008. The deadline had been January 1, 2008, but CMS extended the change period for 45 days because Congress was so late in adjusting the fee schedule. It is unclear whether there will be another opportunity to change your status before July 1, if fees drop after the six-month correction. [Information about Par and Nonpar status can be found below]

If you think you might want to opt out of Medicare altogether, you can find information on opting out and the forms necessary to do this at <https://www.psych.org/members/practpsych/optingoutofmedicare112701.cfm>.

Call the APA's Managed Care HelpLine at 800-343-4671 and ask for Ellen Jaffe if you have any questions.

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Participating or Non-Participating

If you are currently a participating provider in Medicare, with your Medicare carrier reimbursing you directly for your patients' care, one way to correct for a fee decrease might be to switch your status to nonparticipating (nonpar) so that in 2008 you will be able to bill as a nonpar provider. Although Medicare reimburses nonpar providers at 95% of what they reimburse participating providers, nonpar "limiting charges" are set at 115% of the Medicare approved amount for nonparticipating providers. What this means is that for each service you provide you can bill for a little over 9% more than you would be able to as a participating provider, with the difference being paid by the patient.

for example:

If the participating fee schedule for 90801 is \$120.00

Then the nonpar fee schedule for 90801 is \$114.00 (or 95% of \$120.00)

- Medicare will reimburse the participating provider at 80%* of \$120.00, or \$96.00 and the patient is responsible for paying the \$24.00
- Medicare will reimburse the patient of the nonpar provider at 80% of \$114, or \$91.20, you may bill your patient \$131.10 for the 90801 (which means the patient will wind up paying \$39.90 out of pocket after she's reimbursed by Medicare). You wind up a little over 9% ahead.

*remember for other psychiatry codes the reimbursement rate is 50%

Remember, as a nonpar provider you still have to submit the CMS-1500 form to your Medicare carrier just as you would if you were a participating provider.

To make things a bit more confusing, as a nonpar provider you can decide to “accept assignment” (just as if you were a participating provider) on a claim-by-claim basis. On claims for which you decide to accept assignment, you will be reimbursed directly by Medicare, but will receive 5% less for them than you would as a participating provider. When you accept assignment you *cannot* bill the patient the 15% above the nonpar amount. You can only do this on claims for which you don’t accept assignment. When you accept assignment you can only bill the patient the 20% (or 50%) copay on the nonpar fee amount.

The major disadvantage to being a nonpar Medicare provider is that if you wish to take advantage of the 115% limiting charge by not accepting assignment, you must collect the entire fee from the patient, who will then be reimbursed by Medicare for a smaller percentage of the fee than he would otherwise receive. When you do accept assignment as a nonpar provider because you don’t want the difficulty of collecting the entire payment from the patient, you wind up receiving less money than you would as a participating provider.

As a nonpar physician you also will not be included in the directories Medicare provides for its recipients and the bills your claims may not be processed as quickly as those submitted by participating physicians.

If you think the possibility of being able to collect over 9% more for each claim is worth these disadvantages and you want to change your Medicare participation status from participating (par) to non-participating (nonpar), you must notify your Medicare carrier in writing of your decision to terminate your Par agreement starting January 1, 2008. The deadline of having your letter the Medicare carrier postmarked by January 1, 2008, has been extended 45 days. A list of the carriers with links to their websites can be found on the APA website at http://www.psych.org/psych_pract/medicare_medicaid/medicare_carriers/medcarrier_list.cfm?pf=y . If you need more information, call the APA’s Managed Care HelpLine at 800-343-4671.