

DEPARTMENT OF HEALTH & HUMAN SERVICES  
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**Office of Media Affairs**

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**MEDICARE NEWS**

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**CMS PROPOSES PAYMENT, POLICY CHANGES FOR PHYSICIANS' SERVICES TO MEDICARE BENEFICIARIES IN 2010**

The Centers for Medicare & Medicaid Services (CMS) announced today proposed changes to policies and payment rates for services to be furnished during calendar year (CY 2010) by over 1 million physicians and nonphysician practitioners who are paid under the Medicare Physician Fee Schedule (MPFS). The MPFS sets payment rates for more than 7,000 types of services in physician offices, hospitals, and other settings.

CMS is making several proposals to refine Medicare payments to physicians, which are expected to increase payment rates for primary care services. The proposals include an update to the practice expense component of physician fees. For 2010, CMS is proposing to include data about physicians' practice costs from a new survey, the Physician Practice Information Survey (PPIS), designed and conducted by the American Medical Association.

The Medicare law requires CMS to adjust the MPFS payment rates annually based on an update formula which includes application of the Sustainable Growth Rate or SGR that was adopted in the Balanced Budget Act of 1997. This formula has yielded negative updates every year beginning in CY 2002, although CMS was able to take administrative steps to avert a reduction in CY 2003, and Congress has taken a series of legislative actions to prevent reductions in CYs 2004-2009. Based on current data, CMS is projecting a rate reduction of -21.5 percent for CY 2010.

As part of health care reform, the Administration supports comprehensive, but fiscally responsible, reforms to the physician payment formula. Consistent with this goal, the Administration announced in the FY 2010 President's Budget that it would explore the breadth of options available under current authority to facilitate such reforms, including an assessment of whether the cost of physician-administered drugs should continue to be included in the payment

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formula. Thus, while working with Congress to develop a more appropriate mechanism for updating physician payment rates, CMS is proposing to remove physician-administered drugs from the definition of “physician services” for purposes of computing the physician update formula in anticipation of enactment of legislation to provide fundamental reforms to Medicare physician payments. While the proposal will not change the projected update for services during CY 2010, CMS projects that it would reduce the number of years in which physicians are projected to experience a negative update.

CMS is also proposing to stop making payment for consultation codes, which are typically billed by specialists and are paid at a higher rate than equivalent evaluation and management (E/M) services. Practitioners will use existing E/M service codes when providing these services instead. Resulting savings would be redistributed to increase payments for the existing E/M services.

CMS is proposing to increase the payment rates for the Initial Preventive Physical Exam (IPPE), also called the “Welcome to Medicare” visit to be more in line with payment rates for higher complexity services. The IPPE benefit was mandated by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 to pay for an initial assessment of key elements of a beneficiary’s health status within six months of the beneficiary’s enrollment in Medicare Part B. Subsequently, Congress extended the time period for the IPPE benefit to within one year of the beneficiary’s enrollment in Part B.

In addition, CMS is proposing to refine how Medicare recognizes the cost of professional liability insurance in its payment system. While these changes would have a modest impact, they will promote payment equity by redirecting the portion of Medicare’s payment for professional liability insurance to those physicians that have the highest malpractice costs.

Taken together, refining the practice expenses, eliminating payment for the consultation codes and revising the treatment of malpractice premiums would increase payments to general practitioners, family physicians, internists, and geriatric specialists by between 6 and 8 percent (before taking into account the proposed update and other proposed changes to the fee schedule).

The proposed rule would also implement provisions in the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) that added new Medicare benefit categories for cardiac and pulmonary rehabilitation services, and for chronic kidney disease (CKD) education, beginning January 1, 2010. The proposed rule outlines what these programs would entail, how they would be paid under the MPFS, and the criteria for covering these services.

CMS is proposing two changes to address concerns from the Medicare Payment Advisory Commission (MedPAC) and the U.S. Government Accountability Office (GAO) about rapid

growth in high cost imaging services. First, CMS is proposing to reduce payment for services that require the use of expensive equipment which would produce a redistribution of the resulting savings to increase payments for other services, including primary care services. The current payment rates assume that a physician who owns this type of equipment will use it about 50 percent of the time, but recent survey data suggest this expensive equipment is being used more frequently. As the use of this type of equipment increases, the per-treatment costs for purchasing, maintaining and operating the expensive equipment declines, making a reduction in payment appropriate.

Second, CMS is proposing to implement a requirement in the MIPPA that suppliers of the technical component of advanced imaging services be accredited beginning January 1, 2012 by designating accrediting organizations (AOs) for these suppliers and utilizing the imaging quality standards that have been developed by the AOs. The accreditation requirement would apply to mobile units, physicians' offices, and independent diagnostic testing facilities that create the images, but would not apply to the physician who interprets them. According to the GAO, spending on advanced imaging services, such as computed tomography (CT), magnetic resonance imaging (MRI), and positron emission tomography (PET), is growing almost twice as fast as spending on other types of imaging services, and is a significant contributor to the rapid growth in health care spending in recent years, but there is little administrative oversight to ensure the quality of care. In a separate regulatory action, CMS will address suppliers' accountability, business integrity, physician and technician training, service quality, and performance management.

The proposed rule contains a number of provisions to promote improvement in quality of care and patient outcomes through revisions to the Electronic Prescribing Incentive Program (e-Prescribing Program) and the Physician Quality Reporting Initiative (PQRI). Eligible professionals or group practices that meet the requirements of each program in CY 2010 will be eligible for incentive payments for each program equal to 2.0 percent of their total estimated allowed charges for the reporting periods. CMS is proposing to simplify the reporting requirements for the electronic prescribing measure and to provide eligible professionals with more reporting options. CMS is also proposing a new process for group practices to be considered successful electronic prescribers.

In addition, CMS is proposing to add more measures and more measures groups for eligible professionals to report under the PQRI, to provide a mechanism for participants to submit quality measure data from a qualified electronic health record and to create a process for group practices to use for reporting the quality measures.

CMS will accept comments on the proposed rule until August 31, and will respond to all comments in a final rule to be issued by November 1, 2009. Unless otherwise specified, the new payment rates and policies will apply to services furnished to Medicare beneficiaries on or after January 1, 2010.

For more information on the proposed rule, please see:

[www.federalregister.gov/inspection.aspx#special](http://www.federalregister.gov/inspection.aspx#special)

A Fact Sheet providing more information about the e-Prescribing Program and PQRI proposals can be found at:

[www.cms.hhs.gov/apps/media/fact\\_sheets.asp](http://www.cms.hhs.gov/apps/media/fact_sheets.asp)

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