

## **Dermatology Coding Alert**

### **Fee Schedule Update: Physicians Escape Cut for 2004**

#### **But skin procedures lose out**

There's good news and bad news for dermatologists in the reformed Medicare bill signed into law on Dec. 8.

CMS did not increase relative value units (RVUs) for most integumentary procedures - which means that dermatology practices will be facing a loss in payments for procedures such as UV phototherapy. The good news: Medicare will pay for the light activating agent used with the therapy.

More good news: Despite existing plans for a 4.5 percent conversion factor decrease, CMS has put in place a last-minute increase, raising the conversion factor by 1.5 percent for 2004 and 2005. Thanks to the Medicare Prescription Drug and Improvement Act, the conversion factor, which was 36.7856 in 2003, will rise to approximately 37.3373 (CMS has not released the new rate's exact amount).

When the agency proposed the decrease CMS Administrator **Tom Scully** said, "CMS has no option other than to base this final rule on the current law. If Congress does pass legislation improving payments to physicians, CMS will implement the new payment rates as quickly as possible."

This year, Medicare looked at code 96567 (Photodynamic therapy by external application of light to destroy premalignant and/or malignant lesions of the skin and adjacent mucosa [e.g., lip] by activation of photosensitive drug[s], each phototherapy exposure) and determined that the practice expense should be lowered. This dropped the facility practice expense relative value units (RVUs) from 5.10 in 2003 to a dismal 1.03 facility RVUs in 2004. CMA determined that when the value had originally been set, that the higher "all physician" factor was used. Because this procedure is specific to dermatology, CMS reduced the practice expense using the dermatology scaling factor of 0.54 as opposed to the "all physician" average of 1.29.

This reduction means that even with this year's higher conversion factor, dermatology practices will still see a massive decrease in payment when reporting photodynamic therapy.

However, beginning Jan. 1, CMS will pay separately for the light activating agent, or the photosensitive drug in addition to the photodynamic therapy. You will need to use an appropriate Level II HCPCS code to report the light activating agent. To do this, check the material you use, and locate the generic name. Using a HCPCS resource, look in the Table of Drugs for the material used. List the appropriate code on your claims.