

Dermatology Coding Alert

Medicare Pay: Usher Out SGR Formula - For Good

Expect new quality pay plan(s).

You won't ever have to cross your fingers again in hopes that Medicare doesn't suddenly slash your pay under the Sustainable Growth Rate (SGR) formula.

That's because Congress finally acted to eliminate SGR in favor of a different way to calculate Medicare pay. The change comes none too soon — you faced a 21 percent pay cut slated for April 1, and that followed 17 Congressional payment "patches" since 2002 to halt the payment nosedive.

"No more will we be kicking the can down the road with another temporary 'fix' to the SGR rate," said U.S. Sen. **Ben Cardin** (D-Md.), a member of the Senate Finance Subcommittee on Health Care, in a statement.

Read on to see how the law, known as the Medicare Access and CHIP Reauthorization Act (MACRA), will impact your pay in the near- and long-term.

Expect Pay Initial Pay Boost, New Model

For now, you'll receive Medicare payment at the same rate you've been getting since Jan. 1. But as of July 1, you can expect to see the first of several 0.5 percent increases.

MACRA gives 0.5 percent annual boosts to Medicare pay for five years through 2019, after which practitioners will get bonuses based on quality of care rather than the number of procedures they administer.

Here's how it works: The bill calls for consolidating three current incentive programs — Physician Quality Reporting System (PQRS), Electronic Health Records (EHR) meaningful use, and the value-based modifier program — into a new Merit-Based Incentive Payment System (MIPS). The new MIPS will encourage other payment models, such as accountable care organizations (ACOs), to incentivize quality medical care.

"Starting in 2026, we would see two conversion factors, one that applies to providers that participate in advanced payment models such as an ACO, with a 0.75 percent annual update. A second conversion factor with a 0.25 percent yearly increase would apply to providers who do not participate in advanced payment models," explains **Michael A Granovsky MD, FACEP, CPC**, president of LogixHealth, a national coding and billing company.

"Passage of this historic legislation finally brings an end to an era of uncertainty for Medicare beneficiaries and their physicians — facilitating the implementation of innovative care models that will improve care quality and lower costs," said **James L. Madara, MD**, AMA executive vice president and CEO, in a statement.

Prepare for Other Changes

Unlike last years' SGR legislation, Congress did not add a delay to ICD-10 implementation. Last years' postponement was the third delay in six years, and industry experts were concerned that Congress would delay the code set again this year.

Be ready: There are no further ICD-10 delay stipulations in the legislation this year, which means your dermatology practice needs to be ready for the Oct. 1 implementation deadline.

MACRA contains other provisions that could impact your practice, such as the following:

- **Means testing:** MACRA's cost is about \$200 billion over the next decade, and the law allows Medicare to pass some of that cost on to higher-earning beneficiaries in the form of increased Part B and Part D premiums.
- **GPCI extension:** This provision extends until Jan. 1, 2018, the existing 1.0 floor on the geographic practice cost index (GPCI) work component of physician fees in areas where labor cost is lower than the national average.
- **CHIP extension:** The Children's Health insurance program (CHIP) covers more than 8 million children and pregnant women in families that earn income above Medicaid eligibility levels. While the CHIP program is authorized through 2019, no new funding is available after fiscal year 2015. This provision preserves and extends CHIP, funding the program through fiscal year 2017.
- **Delay of the two-midnight rule:** Current CMS regulation requires a patient stay of two midnights in a hospital to qualify for inpatient status in most instances. Stays that are less than that will be paid as an outpatient visit such as observation. This provision allows CMS to continue use of the Medicare Administrative Contractor (MAC) "probe and educate" program to assess provider understanding and compliance with the "two-midnight rule," on a pre-payment basis, through Sept. 30, 2015.
- **Delay of the global surgical package elimination:** This provision reverses the CMS 2015 final rule decision to eliminate the bundled payment for surgical services that span a 10- and 90-day period. It requires CMS to periodically collect information on the services that surgeons furnish during these global periods beginning no later than 2017, and use that information to ensure that the bundled payment amounts for surgical services are accurate. The Secretary of HHS has the authority to delay a portion of payment for services with a 10- and 90-day global period to incentivize reporting of information. The Secretary can stop the collection of information from surgeons if the agency can obtain the needed information through other mechanisms, such as clinical data registries and electronic medical records.