

Dermatology Coding Alert

News You Can Use: Brace Yourself for a 5.1 Percent Pay Cut Next Year

Watch for decrease in imaging reimbursement, too

Upcoming cuts in the proposed fee schedule could mean you'll face significant reimbursement losses come January. Take note of how the cuts will affect your payments for services your physician performs.

Reality: If CMS' proposed Medicare payment reduction goes through as is, physicians face an average 5.1 percent pay cut next year. In June of this year, CMS projected physician practices would face a 4.7 percent pay cut but adjusted that percentage in August.

CMS Offers Reasons for High Cuts

Note that 5.1 percent is the maximum amount CMS can cut your payments in one year, according to the law. The steep cut comes from skyrocketing costs--plus the fact that Congress keeps canceling annual cuts without including them in the calculation for the following year's growth rate, CMS officials say.

"Our current system is not sustainable, either from the standpoint of rising costs or quality care," CMS administrator **Mark McClellan** told reporters in an Aug. 8 conference call. He wants to create a new system that will save money by focusing on quality care.

Share your thoughts: You can submit comments on the proposed fee schedule reductions through the beginning of October by going to www.cms.hhs.gov/eRulemaking.

Wait to See if Congress Intervenes

With the release of Medicare's proposed 2007 fee schedule changes, many specialties will be faced with payment decreases. For example, urologists face an average 5 percent cut.

Ruling 1: Physicians face a 1 percent decrease in imaging payments next year due to changes made by Congress in the 2005 Deficit Reduction Act (DRA), according to an Aug. 8 proposal.

Ruling 2: CMS announced an overall 5.1 percent proposed cut to Medicare payments. As a result, you'll be faced with a net 5.1 percent decrease if the fee schedule reduction proceeds as is.

Changes are possible: Congress could still alter the payment reduction as it has done in the past, so don't lose all hope yet.

Watch for Imaging Reductions

If your physician performs imaging services in his office, you'll want to take note of payment changes for those procedures as well.

One of the contributors to the 1 percent imaging payment reduction is the lowering of in-office physician payment for imaging services.

As of Jan. 1, 2007, payment for these services will change to a lower fee, whether it be the hospital outpatient department technical payment or to the physician fee schedule technical component payment. The carrier will pay the physician whichever is the lower fee, says **Michael A. Ferragamo, MD, FACS**, assistant clinical professor of urology,



State University of New York, University Hospital, Stony Brook, New York.

Good news: For physicians who perform diagnostic ultrasound on their own equipment, there is a silver lining. Medicare won't reduce a second or third imaging scan by 50 percent when it happens on a contiguous body part, as planned. Instead, CMS will keep this year's 25 percent reduction for multiple scans on the same area, thanks to data from the American College of Radiology. CMS reserves the right to increase the "discount" in future years.