

Dermatology Coding Alert

Reader Question: Calculate the Sequestration Cut Effects

Question: Does the 2 percent sequestration cut apply to claims with dates of service on/after April 1, 2013, or does it apply to claims submitted on/after April 1, 2013?

Maryland Subscriber

Answer: The date of service is the key factor. "In general, Medicare FFS claims with dates-of-service or dates-of-discharge on or after April 1, 2013, will incur a 2 percent reduction in Medicare payment," according to CMS Medicare FFS Provider e-News, posted back on March 8, 2013. "Claims for durable medical equipment (DME), prosthetics, orthotics, and supplies, including claims under the DME Competitive Bidding Program, will be reduced by 2 percent based upon whether the date-of-service, or the start date for rental equipment or multi-day supplies, is on or after April 1, 2013." The posting is online at

www.cms.gov/Outreach-and-Education/Outreach/FFSProvPartProg/Downloads/2013-03-08-standalone.pdf.

Background: "The Budget Control Act of 2011 requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. The American Taxpayer Relief Act of 2012 postponed sequestration for 2 months. As required by law, President Obama issued a sequestration order on March 1, 2013," the e-News posting states.

How it works: The reduction is made after the deductible and coinsurance are applied. Consider this example posted by many local MACs: "A provider bills a service with an approved amount of \$100.00, and \$50.00 is applied to the deductible. A balance of \$50.00 remains. We normally would pay 80% of the approved amount after the deductible is met, which is \$40.00 ($\$50.00 \times 80\% = \40.00). The patient is responsible for the remaining 20% coinsurance amount of \$10.00 ($\$50.00 - \$40.00 = \10.00). However, due to the sequestration reduction, 2% of the \$40.00 calculated payment amount is not paid, resulting in a payment of \$39.20 instead of \$40.00 ($\$40.00 \times 2\% = \0.80)." (Example taken from March 27, 2013 posting at www.medicarenhic.com/whats_new/ne_whats_new.shtml.)