

Part B Insider (Multispecialty) Coding Alert

Physician Notes: Sustainable Growth Rate Has Outgrown Its Usefulness

You could be paying the price for CMS' errors

According to the **Government Accountability Office**, the process the Centers for Medicare & Medicaid Services (CMS) uses to update the **Fee Schedule** needs an overhaul itself - or else the agency could jeopardize one all-important component: your faith in the system.

In "CMS Needs a Plan for Updating Practice Expense Component" (GAO-05-60), the GAO warns that CMS' lack of a systematic or timely review suggests the agency is not relying on the best data.

How it works: When estimating Medicare's payments for physicians' operating costs, CMS looks at expense estimates from **American Medical Association** physician surveys, as well as resource estimates for individual services developed by expert panels from a cross section of physician specialties.

According to the GAO, the process is breaking down in three key areas:

1. **Falling behind.** CMS lacks a specific plan to ensure that it can update the fee schedule on time. The AMA physician survey that provides total practice expense data was last modified in 2000. Some specialties continue to submit updates voluntarily, but this is "not an appropriate substitute for a systematic data collection effort," the report reads.
2. **Questionable numbers.** The GAO found evidence that CMS is using data that does not properly represent physician practices within a specialty, while arbitrarily rejecting more representative data.
3. **Closed doors.** CMS modifies estimates made by expert panels without always relying on adequate data or explaining the rationale for its actions.

To read the report, go to www.gao.gov/new.items/d0560.pdf.

4. **The Centers for Medicare & Medicaid Services unveiled the Medicare error rate**, alongside a promise to breathe down your contractor's neck until the rate improves.

In fiscal year 2004, the error rate for fee-for-service claims was 9.3 percent, compared to last year's adjusted rate of 5.8 percent. FY 2003's unadjusted error rate, which includes non-responses, was 9.8 percent. The majority of this year's errors were due to insufficient documentation. Other problems included non-responses to requests for medical records, medically unnecessary services and incorrect coding.

But CMS says new, detailed performance monitoring of individual Medicare contractors will more accurately measure error rates in Medicare payments, and slash that rate down to 4 percent in four years.

Redoubled compliance efforts will likely mean more attention to your claims this fiscal year. To improve error rate medical review responses, CMS notes it has extended the timeframe from 55 to 90 days. In 2005, CMS will try other solutions like accepting electronic records in small tests and more education. The 2004 error rate short report is at www.cms.hhs.gov/CERT.