Part B Insider (Multispecialty) Coding Alert

REIMBURSEMENT: CMS Projects Steep Cut, But Johnson Proposes Increase Instead

89 Senators ask CMS to take drugs out of physician pay formula

The **Centers for Medicare & Medicaid Services** issued a grim reminder of what will happen if Congress doesn't rescue physicians, and soon.

CMS confirmed that physicians face an unthinkable 4.3 percent cut in 2006, and similar cuts from 2007 to 2012. The Sustainable Growth Rate (SGR) formula, which updates physician payments every year based on the volume of physician services and the growth of the economy as a whole, mandated the cuts.

Help may be on the way. Rep. **Nancy Johnson** (R-CT) introduced the long-awaited Medicare Value-Based Purchasing for Physician's Services Act of 2005 on July 28. Like similar bills in the House and Senate (See PBI, Vol. 6, no. 21), the Johnson bill would avert physician pay cuts. But it also would impose a version of pay-for-performance (P4P) on physicians.

The Johnson bill would give physicians a 1.5 percent pay hike in 2006 and then base payments starting in 2007 on the Medicare Economic Index (MEI), which measures costs of services. In 2007 and 2008, physicians would have to report quality measures, or their pay update would be reduced by 1 percent. Starting in 2009, physicians would have to meet quality and efficiency targets (called "Q-measures" and "E-measures") or they would receive payments based on the MEI minus 1 percent.

Physicians would be directly involved in creating the quality measures, which should be evidence-based and related to clinical care. They would be adjusted, where possible, to the severity of the patients' illness. The Senate P4P bill, introduced by sens. **Chuck Grassley** (R-IA) and **Max Baucus** (D-MT), would call on HHS to impose quality measures, and wouldn't fix the physician payment formula (See PBI, Vol. 6, no. 25).

Washington insiders still fear that a fix to the SGR may appear too expensive in tight budgetary times, unless CMS removes Part B drugs retroactively from the SGR formula, something CMS has been reluctant to do. A group of 89 Senators, led by Grassley and Baucus, wrote to **Joshua Bolten**, director of the **Office of Management and Budget**, to urge the **Bush administration** to make this change administratively.

"Administrative changes to the physician payment formula will allow Congress to concentrate on a long-term solution that will stabilize physician payments in the future," the Grassley-Baucus letter insists. The practice of making short-term fixes to physician payments has only led to larger cuts in following years, the Senators note. "We urge you to use the authority of your office to approve this administrative action," they tell Bolten.

CMS Slashes Payments For Multiple Imaging Scans

The proposed physician fee schedule for 2006, published in the August 8 Federal Register, also would expand Medicare coverage of glaucoma screenings to include Hispanic Americans aged 65 and older. Currently only African Americans over 50, plus people with diabetes and those with a family history of glaucoma are eligible for the screening.

CMS has decided to follow the **Medicare Payment Advisory Commission's** recommendations and slash payments for some diagnostic imaging procedures when they're performed on "contiguous body parts in the same session with the patient." CMS says the lower diagnostic imaging payments will allow higher payments for other physician services. CMS also would prohibit physicians from "self-referring" for diagnostic and therapeutic nuclear medicine services.

The fee schedule also tweaks payments for drugs in end-stage renal disease facilities, expands the list of Medicare telehealth services to include medical nutrition, changes the way Medicare accounts for the costs of running a physician office, changes payment adjustments for malpractice costs of specific services.

CMS also is seeking comments on whether to continue the demonstration program which pays oncologists $130 a day to collect data on chemotherapy patients' nausea, pain and fatigue. CMS says it may try to evolve the program to capture more useful data on the clinical care of patients with cancer and to support improvements in that care.