

MedPac Recommends Drastic Medicare Imaging Reimbursement Cuts

By DANIEL MURPHY

In its March 2009 report to Congress, the Medicare Payment Advisory Commission (MedPac) recommended Medicare reimbursement policy changes that could result in a 44% reduction in technical component payments for diagnostic imaging services provided using “expensive imaging machines” is implemented. These recommended payment cuts to high-end diagnostic imaging procedures would be made, in part, to reallocate funding towards primary health care services.

The MedPac report does not bind Congress or the Centers for Medicare & Medicaid Services (CMS). However, because the MedPac recommendations dovetail with President Obama’s goals of Medicare cost reductions and an increased focus on primary health care, Congress and the Administration will likely be receptive to them.

What is MedPac?

MedPac is a non-partisan, independent Congressional agency established in 1997 for the purpose of advising Congress on Medicare program related

issues. The commission issues two major Medicare Payment Policy reports to Congress each year that contain analyses and recommendations regarding Medicare reimbursement. MedPac does not directly set Medicare payment policies, but its recommendations are influential and often lead to official policy changes.

How Would CMS Achieve the Recommended Payment Reductions?

CMS uses complicated formulas and cost estimates to reimburse providers for imaging services under the physician fee schedule. Medicare Part B payment for imaging services consists of two main components: (1) the professional component, which compensates the physician for his or her personal services; and (2) the technical component, which reimburses the provider for direct costs and overhead expenses incurred in delivering the service. The technical component of imaging payments comprises the bulk of total reimbursement for most imaging procedures. For example, as MedPac cites in its report, the technical component represents 88% of total

reimbursement for an MRI of the brain (CPT code 70553), and the professional component only 12%, when the provider bills for both components.

Costs attributed to the imaging equipment used to perform the procedure, in turn, constitute the largest part of the technical component rate. CMS calculates the cost attributable to imaging equipment by estimating the cost per minute incurred in operating the equipment: i.e. depreciation cost per minute of use. In the language of CMS, this depreciation cost is known as practice expense relative value units (PE RVUs) for the machine. If the assumed utilization rate of the equipment increases, the cost per minute of usage declines and, therefore, so does the technical component reimbursement. If CMS adopts MedPac’s recommendation, it would accomplish the payment cuts by substantially increasing the assumed utilization rate of “expensive imaging machines.”

The MedPac Recommendation

The MedPac report recommends increasing the assumed utilization rates of the expensive imaging equipment

from 25 hours per week to 45 hours per week. As described above, this increase in assumed usage drives down technical component reimbursement by reducing payment related to the costs of using the equipment. MedPac justified its recommendation to increase the hours per week assumption on a study it commissioned. The study included surveys of CT and MRI providers and concluded the initial CMS usage assumption of 25 hours per week for this equipment did not bear out in reality. Instead, according to the study, actual median usage was 40 hours per week for CT equipment and 46 hours for MRI equipment. This opaque change in the reimbursement formula would result in a 44% reduction to Part B technical component reimbursement.

In addition, the MedPac proposal holds a larger policy significance than mere cost cutting. As the report describes, assuming that overall Part B reimbursement must remain constant under the Medicare “sustainable growth system,” MedPac has recommended a redistribution of funds towards primary care services and away from high-end

Continued on page 10

At the heart of who we are stands *compassion*

- 24 Hour On-Call Availability
- Personal Care Management
- Physician Directed Services
- Advanced Nursing Care
- Medication, Medical Equipment & Supplies
- Hospice is Fully Covered by Medicare / Medicaid
- Spiritual Counseling
- Medical Social Services
- Bereavement Grief Support



HOSPICE COMPASSUS
Serving with Heartfelt Compassion

Formerly Community Hospices of America

(205) 970-3888
3500 Blue Lake Drive, Suite 270 • Birmingham, AL 35243

www.hospicecompassus.com

HELP, HEAL & SERVE

Attain the rank, privilege and respect as an Air Force Reserve officer.

The Air Force Reserve offers health professionals challenging part-time opportunities with lifelong rewards.

- Receive world-class specialized training such as aerospace medicine and continuing medical education that will enhance your civilian opportunities.
- Gain unique and valuable experience while caring for our nation’s finest.
- Be a leader and a mentor.
- Special financial incentives available for some specialties.

Discover where the rewards of service and healing take flight. Find out more today.



AIR FORCE RESERVE

800-257-1212 • AFReserve.com/healthcare

EVERYDAY PEOPLE MAKING A DIFFERENCE



Original art
for your office
at only a
few dollars
a day

Why We Lease Original Art

Have you ever walked into an office and admired the paintings and thought... I wish I had this art hanging in my office. Now you can afford to have original art in your surroundings to help boost your image with your patients and give you a visual lift every day.

At **jenniferharwellart**, we represent the finest artists. Plus, we have experienced staff to work for you in choosing the best art for your environment. Our lease arrangements are simple and affordable, and you get to pick the art you like. All styles are available, from abstract to traditional.

jenniferharwellart
STUDIO/GALLERY

Call **205-802-7847**
today for a free
brochure with details,
or go online at
www.jenniferharwellart.com

1830 29th Ave S #130/ SOHO Square/ Homewood/ 35209

1901 6th Ave N #175/ Regions Harbert Plaza/ Birmingham / 35203



Nick Gardner's First Step in Helping to Put Your Mind at Ease? He Listens.

Consider the value of someone who listens...to your personal aspirations...your needs...your concerns about your family's financial future. It's how Nick Gardner does business. Listening first. Then putting a variety of Northwestern Mutual products and services to work to help you meet your goal of financial security.

Call today for a free, no-obligation needs assessment.



Nick Gardner, CLTC
Financial Representative
Northwestern Mutual
Financial Network of Alabama
2900 Highway 280 S, Suite 210
Birmingham, AL 35223
(205) 271-7031
nick.gardner@nmfn.com
nmfn.com/nickgardner

 **Northwestern Mutual**
the quiet company™
insurance / investments / ideas™

northwesternmutual.com

05-2614 ©2009 The Northwestern Mutual Life Insurance Company, Milwaukee, WI (NM). Nick Gardner is an Insurance Agent of NM. Registered Representative of **Northwestern Mutual Investment Services, LLC**, a wholly-owned company of NM, broker dealer and member FINRA and SIPC. NM and Northwestern Mutual Financial Network of Alabama are not broker-dealers. 9118-722

Educating Tomorrow's Public Health Professionals, *continued from page 7*

on health promotion, administration and policy or allied health (with a management emphasis). Master's students choose epidemiology, biostatistics, administration and policy or education. "We just started an additional emphasis area in veterinary public health," McGuire said. "That's a growing field, because if you look across the board, a large number of illnesses stem from animal transmission to humans by way of direct contact or through the food chain." He cited bird flu and mad cow disease as examples.

McGuire said one-third of all the department's classes have a community outreach component, culminating near graduation in a 400-hour internship, which is an extensive fieldwork experience under the supervision of a mentor, administrator or health professional.

Southern Miss offers two dual degrees: the MPH plus business administration, which McGuire called "very marketable, and an MPH/anthropology dual degree. "I found a lot of students who were in anthropology had a real strong interest in epidemiology and biostatistics, so that's the emphasis of that dual program. Anthropologists are involved in retrospective investigation, and that's what epidemiology is, retrospective investigation of disease outbreak. So it just meshed together." A new emphasis in this dual area will be education, he added. On the horizon is a dual MPH/master of social work.

Reaching into southern Mississippi's rural communities is a top priority for students and the department's 13 faculty members. McGuire himself is director of one of the state's five Area Health Education Centers. His AHEC

region, covering the state's 15 southern-most counties, receives federal funding to address health concerns of residents and ensure continuing education for health professionals.

Another department research example is a \$300,000 federal grant to investigate lead consumption in children "That's still a big deal here, whether it's in paint or other products," McGuire said. Breast cancer in poverty-stricken areas, the effects of job loss on health-care access, nutrition and childhood obesity are other research initiatives tackled by USM.

A Final Thought on Public Health

Raczynski sees the public-health field as contributing to more than the health of America's residents. In fact, he sees public health as an economic imperative. "People who run big business understand public health, because they understand insurance costs and how that impacts on their bottom line," he said.

Economic development, education and public health are "different legs of a three-legged stool. They go hand in hand. You can't concentrate in grade school if you have a toothache, so that's public health and the prevention of oral disease. You can't perform well if you're not healthy, and you can't be attractive to business if you don't have a healthy workforce."

And while it may take some explaining, "People eventually get it," Raczynski said. "Once you start talking about the importance of public health to our state and our nation, people understand it. I think our president understands it, thank goodness."

MedPac Recommends Drastic Medicare Imaging Reimbursement Cut, *continued from page 9*

imaging procedures.

Will the Recommendation Become Policy?

During his presidential campaign and since taking office, President Obama has emphasized cost reduction and improved primary health care services as part of his health care reform goals. Because the MedPac recommendation appears to be consistent with these aims, the Administration may support the policy in some form. If Congress or CMS proposes to implement the recommendation, a number of health care industry constituencies, including equipment manufacturers and physicians, will lobby aggressively against the change. However, if the Administration were determined to adopt the recom-

mendation, it may succeed in implementing some form of the policy due to Democratic control of Congress.

Importantly, however, both the President and Congressional leaders have vowed to introduce comprehensive health care reform legislation in 2009. If this happens, the potential for fundamental changes in the Medicare reimbursement system may mean that all bets are off with respect to this MedPac recommendation, which essentially tinkers with the existing system.



Dan Murphy is an associate in Balch & Bingham's Healthcare and Corporate & Securities Practice Groups.