Challenges Loom for Medicare Reimbursement

By RON PRESENT

Emergency! Will Congress act in time to halt Medicare reimbursement cuts? If not, how will you survive?

On Nov. 1, the Centers for Medicare & Medicaid Services (CMS) issued its final rule with comment period for an update to the payment policies and rates for providers receiving reimbursement based upon the Medicare Physician Fee Schedule (MPFS). The fee schedule sets payment rates for services provided for physicians and non-physician providers such as nurse practitioners and outpatient physical therapists.

Do you want to hear the good news or the bad news first? For the good news, well, it's not so good. Based on a recalculation of the rates, the Medicare payment reduction to physicians is reduced by only 2.1 percentage points from the original reduction of 29.5 percent. The bad news is that physicians are still scheduled to receive a reduction of 27.4 percent for services starting Jan. 1, 2012, based on the new MPFS. This reduction is part of the program’s cost-control funding mechanism incorporated into the Balanced Budget Act of 1997 (BBA).

The BBA’s Sustainable Growth Rate (SGR) provision calculates, among other things, the reimbursement rates identified within the MPFS. The SGR was created to ensure that annual Medicare cost increases per beneficiary do not exceed the GDP. However, critics of the SGR believe this methodology is flawed.

The SGR has consistently been the center of a congressional battle each year to “fix” the MPFS calculation and use an alternative method. Without a change in the law from Congress this year, the 27.4 percent reduction will become a reality. This will mark the 11th time the SGR formula has resulted in a reduction of the MPFS. However, every year, with the exception of 2002, the reductions have been averted with congressional action.

The Obama Administration has indicated the need to permanently fix the SGR and remove the potential of these drastic reductions in reimbursement. U.S. Department of Health and Human Services Secretary Kathleen Sebelius stated, “Unfortunately, while Medicare remains strong, physicians are facing steep payment cuts as a result of a flawed 1997 law. Almost every year for more than a decade, doctors have faced this annual threat and the Congress has in turn acted to temporarily prevent these deep reductions from taking effect. We have not and will not let deep cuts to doctors’ payments occur. The Obama Administration is 100 percent committed to fixing the flawed Medicare payment system and protecting Medicare beneficiaries’ access to doctors.”

CMS and the American Medical Association (AMA) have also publicly supported efforts to address the SGR calculation for the long term. “We need a permanent SGR fix to solve this problem once and for all,” said CMS Administrator Donald Berwick, MD. The AMA hopes “The Joint Select Committee on Deficit Reduction (wills) include repeal of the formula in their recommendation to Congress to protect access to care for seniors and stabilize the Medicare program,” said AMA President Peter Carmel, MD.

Even though it may be great sentiment, what if Congress doesn’t act soon and the 27.4 percent reduction is enforced? How will you manage a reduction of almost a third of your revenue? Here are some practical solutions that might be effective during this medical economic crisis:

1. Must have. These expenditures are essential to perform services, maintain a positive experience for the patient, provide a competitive advantage and maintain compliance.

2. Nice to have. These expenditures enhance the patient experience, allow for a more positive practice environment, and are deserved based upon the practice environment.

3. Not needed. These expenditures have always been part of the practice, but provide no tangible value to the practice or the patient experience.

• Identify new revenue streams. Many physician practices have looked at ways to offer new profitable services that may or may not require a capital investment. For example, some oncology practices have started or created a relationship with a women’s wellness division offering counseling, spa services, specialty clothing, and wigs. Whatever the new service offering is should:

1. Be viewed as a competitive advantage and bring in additional referrals for service provided historically;

2. Provide greater convenience for patients by creating a one-stop shop environment; and/or

3. Create a brand new patient base for a service that was not offered historically.

• Consider expanding your practice. With the development and discussion of Accountable Care Organizations (ACOs), many physician practices are in the process of being acquired by hospitals and health systems. However, with a large reduction in payments based upon the projected MPFS, the value of a physician practice could decrease dramatically. The timing may be optimal for some practices to consider:

1. Adding physician extenders such as nurse practitioners. This allows the practice to potentially increase patient volume without an equal increase in the physician’s time.

2. Merging or combine practices. If multiple practices are available that either offer similar or complementary services, the consolidation of offices might result in a reduction of expense and an increase in revenue.

Regardless of the strategies contemplated to offset the payment reduction, careful consideration and analysis should be completed prior to their adoption. The strategies should ensure a positive financial return, long-term value, integration within the practice culture and a positive patient experience.

Ron Present, CAIA, CNHA, is the healthcare services practice leader for Brown Smith Wallace LLC, one of the Midwest region’s most prominent locally owned full-service public accounting firms. INSIDE Public Accounting has recognized Brown Smith Wallace nationally as a Top 5 Fastest Growing Firm in the $20-30 million net revenue category. Present can be reached at RPresent@bswllc.com.