

# Measuring the Potential Impact of the Proposed 2013 MPFS

**Introduction:** CMS released the proposed rule<sup>1</sup> for the 2013 Medicare Physician Fee Schedule (MPFS) in July. This issue of the Imaging Market File estimates the impact on revenue and margins/losses for 18 imaging-center sites clustered in Washington, Missouri, and Florida (which performed 112,000 procedures) of the 2013 conversion rate and a presumed 27% sustainable growth rate (SGR) reduction.

CMS proposes expanding the Multiple Procedure Payment Reduction (MPPR) to the technical component from 119 codes to an additional 530 codes, as well as to the professional component of same-day subsequent studies of one patient read by any member of the practice. The potential loss of revenue due to the expansion of the MPPR has not been factored into the scenarios depicted in Tables 1–3.

**SGR adjustment:** The SGR is a statutory adjustment that has been overridden by Congress in each of the past five years. According to CMS, those reductions now are estimated at 27% and are scheduled to go into effect in the 2013 MPFS, unless Congress acts again to delay them. The reduction would be applied to the 2013 conversion factor, which affects both the technical and professional components of the MPFS. As demonstrated in Table 1, the reductions in the sample areas would be 29.62% to 30.12% if the CMS changes are adopted by all payors—a possibility for which there is ample precedent.

**Conversion-factor changes:** Several other proposed changes would affect reimbursement rates for 2013, resulting in a reduction of the 2012 conversion factor from \$34.0376 to \$24.7124. In order to fund reimbursement increases for family practice (7%), geriatrics

(4%), internal medicine (5%), and pediatrics (5%), reimbursement is being reduced for radiology, diagnostic-testing facilities, radiation oncology, and radiation-therapy centers, to create a budget-neutral impact.

CMS has released an estimate<sup>1</sup> (Table 4) of the impact of the proposed changes. While CMS estimates a 4% cumulative impact of the conversion-rate reduction, our analysis of the sample data from 18 sites shows an impact of 4.47% to 5.25%, if all payors adopt the new conversion rate (Table 1).

In addition, the Geographic Practice Cost Index (GPCI) 1.0 floor is set to expire prior to the implementation of the 2013 MPFS, so the proposed physician-work GPCIs no longer will include the GPCI 1.0 floor; for many locations, this will mean adjustment down to the previous GPCI levels. As a result, those sites will experience further reductions in reimbursement.

**Table 1. Potential Impact on Revenue**

	CURRENT	IMPACT			
	2012 REVENUE BASELINE	2013 PROPOSED MPFS	2013 PROPOSED MPFS AND SGR, MEDICARE ONLY	2013 PROPOSED MPFS, ALL PAYORS	2013 PROPOSED MPFS AND SGR, ALL PAYORS
WASHINGTON PROFESSIONAL	\$2,767,275	-0.03%	-3.22%	-0.23%	-27.08%
WASHINGTON TECHNICAL	\$12,188,838	-0.55%	-3.34%	-5.25%	-30.84%
WASHINGTON GLOBAL	\$14,956,099	-0.45%	-3.32%	-4.29%	-30.12%
MISSOURI PROFESSIONAL	\$190,168	-0.14%	-6.46%	-0.59%	-27.44%
MISSOURI TECHNICAL	\$711,902	-1.03%	-7.08%	-4.47%	-30.27%
MISSOURI GLOBAL	\$902,070	-0.85%	-6.95%	-3.62%	-29.65%
FLORIDA PROFESSIONAL	\$1,527,904	-0.18%	-4.83%	-0.99%	-27.73%
FLORIDA TECHNICAL	\$4,425,767	-1.12%	-7.09%	-5.03%	-30.68%
FLORIDA GLOBAL	\$5,953,671	-0.88%	-6.51%	-4.23%	-30.1%

Abbreviations: MPFS, Medicare Physician Fee Schedule; SGR, sustainable growth rate

**Table 2. Potential Net Loss**

	CURRENT	IMPACT			
	2012 REVENUE BASELINE	ASSUMED 15% CONTRIBUTION MARGIN	REVENUE AFTER PROPOSED MPFS AND SGR REDUCTIONS, ALL PAYORS	NET COLLECTIONS REDUCTION WITH PROPOSED MPFS AND SGR, ALL PAYORS	POTENTIAL NET LOSS
WASHINGTON GLOBAL	\$14,956,099	\$2,243,415	\$10,452,029	\$4,504,069	(\$2,260,654)
MISSOURI GLOBAL	\$902,070	\$135,310	\$634,574	\$267,496	(\$132,185)
FLORIDA GLOBAL	\$5,953,671	\$893,051	\$4,161,890	\$1,791,780	(\$898,730)

Abbreviations: MPFS, Medicare Physician Fee Schedule; SGR, sustainable growth rate

**Unsustainable:** Should the proposed 2013 MPFS be implemented and adopted by all payors, Table 2 shows the impact on margins in each operation (where operations produce an approximate 15% contribution margin today). If those practices made no changes in operating budgets, the reductions based on the proposed conversion factor and the potential 27% SGR reduction would result in significant losses. The scenario represented by Table 3 assumes that the SGR and conversion factor reductions will not be adopted by private payors. In this case, potential losses to the profit margin range from 22.1% to 46.4%.

**Conclusion:** The proposed changes will have negative short- and long-term impacts on the technical and professional components of reimbursement. Given the current climate of intolerance for health-care cost increases, there

is a possibility that following the November election, Congress will adopt the alternative solution to the SGR problem proposed by the Medicare Payment Advisory Commission.<sup>2</sup> It includes a 5.9% reduction for each year of the next three years (applied to all specialties except primary care), followed by a seven-year freeze on the conversion factor.

**References**

1. US DHHS. 42 CFR parts 410, 414, 415 et al: proposed rules. *Fed Regist.* <http://www.gpo.gov/fdsys/pkg/FR-2012-07-30/html/2012-16814.htm>. Published July 30, 2012. Accessed August 24, 2012.
2. MedPAC. Moving forward from the sustainable growth rate (SGR) system. [http://www.medpac.gov/documents/10142011\\_medpac\\_sgr\\_letter.pdf](http://www.medpac.gov/documents/10142011_medpac_sgr_letter.pdf). Published October 14, 2011. Accessed August 24, 2012.

**Table 3. Potential Margin Loss**

	CURRENT	IMPACT				
	2012 REVENUE BASELINE	ASSUMED 15% CONTRIBUTION MARGIN	REVENUE AFTER PROPOSED MPFS AND SGR REDUCTIONS, MEDICARE ONLY	NET COLLECTIONS REDUCTION WITH PROPOSED MPFS AND SGR, MEDICARE ONLY	POTENTIAL CONTRIBUTION MARGIN	POTENTIAL MARGIN LOSS
WASHINGTON GLOBAL	\$14,956,099	\$2,243,415	\$14,459,272	\$496,827	\$1,746,588	22.1%
MISSOURI GLOBAL	\$902,070	\$135,310	\$839,350	\$62,720	\$72,591	46.4%
FLORIDA GLOBAL	\$5,953,671	\$893,051	\$5,566,013	\$387,657	\$505,393	43.4%

*Abbreviations: MPFS, Medicare Physician Fee Schedule; SGR, sustainable growth rate*

**Table 4. CMS-estimated Impact of Proposed 2013 Medicare Physician Fee Schedule**

SPECIALTY	ALLOWED CHARGES (MILLIONS)	BASELINE	UPDATED EQUIPMENT INTEREST-RATE ASSUMPTION	DISCHARGE TRANSITION-CARE MANAGEMENT	CHANGES FOR RADIATION-THERAPY PROCEDURES	TOTAL (CUMULATIVE IMPACT)
RADIOLOGY	\$4,724	-2%	-1%	-1%	0%	-4%
INTERVENTIONAL RADIOLOGY	\$202	-2%	0%	-1%	0%	-3%
NUCLEAR MEDICINE	\$48	-2%	-1%	-1%	0%	-4%
RADIATION-THERAPY CENTERS	\$71	-4%	-5%	-2%	-8%	-19%
RADIATION ONCOLOGY	\$1,982	-3%	-3%	-2%	-7%	-15%

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