

Imaging Reimbursement Cuts Proposed

Amidst the increasing demands to reign in healthcare spending, several government entities, including the Congressional Budget Office (CBO), Government Accountability Office (GAO), Medicare Payment Advisory Commission (MedPAC), and the US Senate have called for a reduction in Medicare spending on imaging services – the fastest growing segment of Medicare Part B spending.

Recent government scrutiny of imaging expenditures appears to reveal high levels of utilization, as well as the increased likelihood of self-referral for in-office imaging procedures. A June 2008 report from the GAO stated that Medicare spent over \$14 billion on imaging services in 2006 – a two-fold increase from 2000. Additionally, the 13% per year average increase for imaging expenditures was well above the 8.2% growth rate for all other physician services.¹ Further, the report found that the number of imaging procedures conducted in-office (where the physician collects both the technical and professional revenue) increased from 58% of procedures in 2000 to 64% of procedures in 2006.² MedPAC's June 2009 report found a statistically significant, positive correlation between physician self-referral and imaging usage. The report also discussed similar results in regards to increased imaging usage being associated with increased spending.³ Such rapid increases in both volume and expenditures for imaging services have made the imaging industry a target for healthcare cost-reduction programs. Proposals from the GAO, CBO, Senate and MedPAC include suggestions to prospectively review imaging claims through the use of radiology benefit managers and to restructure the payment formula in order to decrease reimbursement for advanced imaging procedures.

In the past year, the GAO, Senate, and CBO have all issued proposals seeking prospective review of imaging claims through the use of radiology benefit managers. Given findings of rapid increases in imaging expenditures and potential incentives for physicians to self-refer, the GAO 2008 report recommended that the Centers for Medicare and Medicaid Services (CMS) utilize “front-end” solutions such as prior authorization and radiology benefit managers to help reduce imaging expenditures.⁴ Both the Senate Finance Committee's April 2009 healthcare policy report and the CBO's December 2008 Budget Options for Healthcare, echoed

support for the GAO's recommendation for the use of radiology benefit managers as a way to prospectively eliminate unnecessary scans.⁵ While most private plans require prior authorization for imaging procedures, CMS' current efforts to control spending rely solely on retrospective reviews. CMS commented that the transition to prospective reviews, such as prior authorizations, would require additional administrative resources.⁶ However, despite potential administrative costs to CMS, the CBO suggested that the use of prior authorization could reduce federal outlays by as much as \$220 million between 2010 and 2014, increasing to a total of \$1 billion between 2010 and 2019.⁷

There are also numerous proposals to increase the utilization rate for imaging payments. The current Medicare payment formula for calculating Practice Expense RVUs for imaging services assigns a utilization factor for the given imaging service. A higher utilization factor stretches the payment over more procedures, thereby creating a lower payment per procedure. If the utilization factor is less than actual utilization of services performed, physicians would be overpaid for their services. Currently, the imaging utilization factor assumes that imaging equipment is utilized for 50% of the physician's office hours or approximately 25 hours per week, even though most imaging equipment is typically used at greater than 50% capacity. Because of the suspected overpayments due to the low utilization factor, MedPAC, the CBO, and both houses of Congress have made proposals to change the utilization rate for imaging.⁸

In its 2008 report, the CBO report suggested that the payment formula be restructured in order to reflect the higher capacity of imaging machines. The CBO report suggested increasing the utilization rate from the current 50% to 75% or 95%. Doing so would save between \$1 billion and \$1.5 billion in the next five years.⁹ MedPAC proposed a similar adjustment in its March 2009 Report to Congress when it recommended that machines costing over one million dollars would be reimbursed, assuming a 90% utilization rate (45 hours per week).¹⁰ The Senate Finance Committee's May 2009 healthcare financing report indicated support of MedPAC's March 2009 recommendation.¹¹ Finally, in the draft of its healthcare reform bill, released on June 19, 2009, the House of Representatives proposed increasing the utilization rate

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to 75%.¹² Any adjustment of the utilization rate above fifty 50% would result in lower Practice Expense RVU reimbursement.¹³ The CBO suggested that increasing the utilization rate would save the Medicare Trust Fund over \$1 billion dollars over the next five years.¹⁴

The recent government proposals to reduce payments for imaging services have garnered opposition from several imaging groups. Specifically, the Medical Imaging and Technology Alliance (MITA) stated that the GAO, in its proposal for the use of radiology benefit managers, did not clearly explain how they would create “*impact savings*.”¹⁵ In addition, the American College of Radiology (ACR) stated that the increase in the imaging utilization rate to 90% for MRI and CT scan procedures will reduce reimbursement anywhere from 5% – 40%. The ACR further criticized the proposals stating that rural imaging centers, which often provide more than fifty hours of care per week, will find it almost impossible to meet 90% utilization.¹⁶ If the utilization rate is increased, there is concern that many physicians may not be able to purchase advanced imaging equipment or will reduce services provided, thereby reducing patients’ access to imaging technology.¹⁷

Both the ACR and MITA suggested that in order to control Medicare costs, Congress should instead consider creating and promoting appropriateness criteria (as mentioned in the Senate’s April 2009 healthcare reform proposal) rather than payment cuts and preauthorization requirements.¹⁸

¹ “Medicare Part B Imaging Services: Rapid Spending Growth and Shift to Physician Offices Indicate Need for CMS to Consider Additional Management Practices,” United States Government Accountability Office, June 2008, p. 12, <http://www.gao.gov/new.items/d08452.pdf> (Accessed 6/16/09)

² “Medicare Part B Imaging Services: Rapid Spending Growth and Shift to Physician Offices Indicate Need for CMS to Consider Additional Management Practices,” United States Government Accountability Office, June 2008, p. 12, <http://www.gao.gov/new.items/d08452.pdf> (Accessed 6/16/09)

³ “Report to Congress: Improving Incentives in the Medicare Program,” Medicare Payment Advisory Commission, June 2009, p. 81

⁴ “Medicare Part B Imaging Services: Rapid Spending Growth and Shift to Physician Offices Indicate Need for CMS to Consider Additional Management Practices,” United States Government Accountability Office, June 2008, p. 27-34, <http://www.gao.gov/new.items/d08452.pdf> (Accessed 6/16/09)

⁵ “Budget Options Volume 1: Healthcare,” Congressional Budget Office, December 2008, p. 81; “Description of Policy Options – Transforming the Healthcare Delivery System: Proposals to Improve

Patient Care and Reduce Healthcare Costs,” United States Senate Finance Committee, April 29, 2009, p. 7-9, <http://finance.senate.gov/sitepages/leg/LEG%202009/042809%20Health%20Care%20Description%20of%20Policy%20Option.pdf> (Accessed 5/6/09)

⁶ “Medicare Part B Imaging Services: Rapid Spending Growth and Shift to Physician Offices Indicate Need for CMS to Consider Additional Management Practices,” United States Government Accountability Office, June 2008, p. 27-34, <http://www.gao.gov/new.items/d08452.pdf> (Accessed 6/16/09)

⁷ “Budget Options Volume 1: Healthcare,” Congressional Budget Office, December 2008, p. 81.

⁸ “Financing Comprehensive Healthcare Reform: Proposed Health System Savings and Revenue Options,” Senate Finance Committee, May 2009, p. 9.

⁹ “Budget Options Volume 1: Healthcare,” Congressional Budget Office, December 2008, p. 117

¹⁰ “Report to Congress: Medicare Payment Policy,” Medicare Payment Advisory Commission, March 17, 2009, p. 10, http://www.medpac.gov/documents/Mar09_March%20report%20testimony_WM%20FINAL.pdf (Accessed 6/16/09)

¹¹ “Description of Policy Options: Financing Comprehensive Healthcare Reform: Proposed Health System Savings and Revenue Options,” United States Senate Finance Committee, May 20, 2009, p. 9 <http://finance.senate.gov/sitepages/leg/LEG%202009/051809%20Health%20Care%20Description%20of%20Policy%20Options.pdf> (Accessed 6/16/09)

¹² “House Healthcare Reform Bill Calls for 75% Increase in Imaging Utilization,” Health Imaging News, June 24, 2009, http://www.healthimaging.com/index.php?option=com_articles&view=article&id=17868 (Accessed 6/24/2009)

¹³ “Report to Congress: Medicare Payment Policy,” Medicare Payment Advisory Commission, March 17, 2009, p. 10, http://www.medpac.gov/documents/Mar09_March%20report%20testimony_WM%20FINAL.pdf (Accessed 6/16/09)

¹⁴ “Budget Options Volume 1: Healthcare,” Congressional Budget Office, December 2008, p. 117

¹⁵ “GAO Report Ignores Key Data and Medical Guidelines,” Medical Imaging and Technology Alliance, June 2008, http://www.medicalimaging.org/MITA/gao_report.pdf (Accessed 6/18/09)

¹⁶ “RBMA: MedPAC Imaging Use Rates Far Above Reality,” Health Imaging, June 19, 2009, http://www.healthimaging.com/index.php?option=com_articles&view=article&id=17820:rbma-medpac-imaging-use-rates-far-above-reality (Accessed 6/22/09)

¹⁷ “Further Cuts to Imaging Should Not Occur Absent Reliable Data,” American College of Radiology, June 2009, <http://www.acr.org/SecondaryMainMenuCategories/NewsPublications/FeaturedCategories/CurrentHealthCareNews/More/FurtherCutstoImaging.aspx> (Accessed 6/17/09)

¹⁸ “Further Cuts to Imaging Should Not Occur Absent Reliable Data,” American College of Radiology, June 2009, <http://www.acr.org/SecondaryMainMenuCategories/NewsPublications/FeaturedCategories/CurrentHealthCareNews/More/FurtherCutstoImaging.aspx> (Accessed 6/17/09)



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Robert James Cimasi, MHA ASA, CBA, AVA, CM&AA, President. Mr. Cimasi is a nationally recognized healthcare industry expert, with over 25 years experience in serving clients, in over 49 states, with a professional focus on the financial and economic aspects of healthcare industry including: valuation consulting; litigation support & expert testimony; business intermediary and capital formation services; certificate-of-need and other regulatory and policy planning; and, healthcare industry transactions, joint ventures, mergers and divestitures.

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, and several professional certifications. He has been certified and has served as an expert witness on cases in numerous states, and has provided testimony before federal and state legislative committees.

Mr. Cimasi is a nationally known speaker on healthcare industry topics, is the author of several nationally published books, chapters, published articles, research papers and case studies, and is often quoted by healthcare industry press. Mr. Cimasi's latest book, "*The U.S. Healthcare Certificate of Need Sourcebook*", was published in 2005 by Beard Books. In 2006, Mr. Cimasi was honored with the prestigious "*Shannon Pratt Award in Business Valuation*" conferred by the Institute of Business Appraisers and was elevated to the Institute's College of Fellows in 2007.



Todd A. Zigrang, MHA, MBA, CHE, Senior Vice-President. Mr. Zigrang has over twelve years experience in providing valuation, financial analysis, and provider integration services to HCC's clients nationwide. He has developed and implemented hospital and physician driven MSOs and networks involving a wide range of specialties; developed a physician-owned ambulatory surgery center; participated in the evaluation and negotiation of managed care contracts, performed valuations of a wide array of healthcare entities; participated in numerous litigation support engagements; created pro-forma financials; written

business plans and feasibility analyses; conducted comprehensive industry research; completed due diligence analysis; overseen the selection process for vendors, contractors, and architects; and, developed project financing.

Mr. Zigrang holds a Masters in Business Administration and a Master of Science in Health Administration from the University of Missouri at Columbia. He holds the Certified Healthcare Executive (CHE) designation from, and is a Diplomat of, the American College of Healthcare Executives and a member of the Healthcare Financial Management Association.



Lance A. Haynes, MSF, Vice President. Mr. Haynes focuses on the area of financial and economic analysis and consulting. His main responsibilities are comprised of business, tangible asset and intangible asset valuations, as well as financial analysis and forecasting for healthcare services related enterprises. Mr. Haynes has performed valuations for many types of ancillary services providers including Surgical/Specialty Hospitals and Ambulatory Surgery Centers, Cardiac Catheterization Labs, Diagnostic Imaging Centers and Kidney Dialysis Centers, and has also performed valuations and financial analyses for Home Healthcare

Providers, Long-term Care Facilities and Physician Medical Practices across various specialties. In addition, Mr. Haynes has performed joint venture service line and lease arrangement valuations for hospitals and physician groups, and has assisted with numerous litigation support engagements. Prior to joining HCC, Mr. Haynes was a Research Associate with Flagstone Securities, a specialty investment bank, located in St. Louis, Missouri, where his main responsibilities included the development and maintenance of company earnings models and proprietary stock indices for publicly traded companies.

Mr. Haynes received his Bachelor of Arts in Finance from the University of Northern Iowa and his Master of Science in Finance from St. Louis University. Mr. Haynes is a Level III candidate in the Chartered Financial Analyst (CFA) Program, and is a member of both the CFA Institute and CFA Society of St. Louis.



Anne P. Sharamitaro, Esq., Vice President. Ms. Sharamitaro focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro was admitted to the Missouri Bar in 2005 after graduating with J.D. and Health Law Certificate from St. Louis University School of Law. At St. Louis University, served as an editor and staff member of the Journal of Health Law, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America (f/k/a American Surgical Hospital Association) and the National Association of Certified Valuation Analysts.



Jeffrey S. Sedlacek is a research associate at Health Capital Consultants (HCC). Mr. Sedlacek is a third year law student at Saint Louis University School of Law and will graduate in May 2010 with a J.D. and Health Law Certificate. Mr. Sedlacek also has a MBA specializing in Management Information Systems from Southern Illinois University in Edwardsville. At HCC, Mr. Sedlacek provides research support in the area of legal and economic trends related to a wide and diverse array of healthcare industry enterprises.