

Physicians Face Hits to Medicare Reimbursement

Coming into the holiday season, U.S. physicians face two significant hits to their Medicare reimbursement. First, a 21.2 percent Medicare pay cut that was scheduled under the sustainable growth rate (SGR) formula has been delayed now that President Obama signed a Congressional reprieve into law on December 21, 2009. Under a provision in the defense appropriation bill, the cut has been stayed only until February 2010. Second, consultation codes historically used by specialists that resulted in higher reimbursement rates will be eliminated on January 1, 2010.

Sustainable Growth Rate formula reform update

On December 18, 2009, the U.S. Senate passed a bill that rewrites the controversial SGR formula, which is currently utilized by the Centers for Medicare and Medicaid Services (CMS) to calculate physician reimbursement rates through Medicare.¹ After President Obama signed the bill into law on December 21, the 21.2 percent Medicare pay cut for physicians was officially rescinded until February 28, 2010.²

The American Association of Retired Persons and the American Medical Association (AMA) support the new law with the caveat that the government still needs to go further to implement a new, more permanent system to end the cycle of increasingly larger annual fee cuts for physicians.³ Although the law temporarily rescinds the Medicare reimbursement cut that would have resulted from application of the SGR formula, the debate rages on as to what should be done in March, 2010, when the temporary delay in fee cuts ends. Organized medicine opposes using an SGR that ties physician reimbursement to the gross domestic product, which is what CMS currently utilizes to control Medicare spending increases. Physicians argue that the cost of running a medical practice typically grows at a higher rate than GDP.⁴

Deletion of Consultation Codes

When a Medicare patient is referred to a specialist by a primary care physician, that specialist can send her bill to Medicare and denote it as either a consultation or a regular referral. According to the AMA, consultations by specialists are appropriate: (1) to “*recommend care for a specific condition or problem*”; or, (2) to “*determine whether to accept responsibility for ongoing management of the patient's entire care or for the care*

of a specific condition or problem.”⁵ Hospital-based specialists have traditionally used consultation codes to receive reimbursement for their Medicare patients’ consultations at higher rates than regular referral patients, earning up to 30 percent more for their consultation services.⁶ CMS has adopted a rule that will eliminate consultation codes which is scheduled to go into effect January 1, 2010. Subsequently, all consultation services will have to be billed to Medicare as regular referrals, regardless of the degree of consult involved.

This change has sparked heated debate between stakeholders on both sides of the issue. Those in favor of eliminating consultation codes point to research which suggests that changing consultation codes to those for regular referrals would save Medicare \$534.5 million per year.⁷ They also cite studies, such as one done by Dr. Joel Shalowitz at Northwestern, which show that there is a significantly higher error rate in Medicare coding when a regular referral is sent to a specialist versus when a consultation is ordered, indicating that specialists are more likely to bill Medicare for a higher-paying consultation even if the patient visit would not ordinarily be classified as such.⁸

Opponents believe it is unreasonable to expect specialists to provide the same level of service, written communication, and follow-up care, when reimbursement will be reduced across the board.⁹ They point to AMA surveys which demonstrate that the higher compensation amounts received for consultations are a result of the greater amount of total time specialists must invest in consultation patients, including the pre- and post-visit tasks.¹⁰

1 “Senate Votes to Delay 2010 Medicare Pay Cut Until February 28” by Robert Lowes, Medscape Today, December 18, 2009, <http://www.medscape.com/viewarticle/714084> (Accessed December 22, 2009)

2 “Obama Signs Military Spending Bill”, The Boston Globe, December 22, 2009,

http://www.boston.com/news/nation/washington/articles/2009/12/22/obama_signs_military_spending_bill/ (Accessed December 22, 2009)

3 “House Passes Major Medicare Payment Reform; What Will the Senate Do?” by Chris Silva, American Medical News, November 30, 2009, <http://www.ama-assn.org/amednews/2009/11/30/gv11130.htm> (Accessed December 9, 2009)

4 “Senate Votes to Delay 2010 Medicare Pay Cut Until February 28”

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- by Robert Lowes, Medscape Today, December 18, 2009, <http://www.medscape.com/viewarticle/714084> (Accessed December 22, 2009)
- 5 “Medicare Stops Coding for Consults: What to Do Now?” by Elizabeth Woodcock, Medscape Today, December 15, 2009, <http://www.medscape.com/viewarticle/713597> (Accessed December 21, 2009)
- 6 “Billing Errors a Costly Drag on Health System” by Tim DeChant, Ph.D., Kellogg School of Management News Articles, November 13, 2009, http://www.kellogg.northwestern.edu/News_Articles/2009/billing_errors.aspx (Accessed December 9, 2009)
- 7 “Is It Time to Eliminate Consultation Codes?” by Joel I. Shalowitz, MD, MBA, Archives of Internal Medicine, November 19, 2009, <http://archinte.ama-assn.org/cgi/content/full/nmed.2009.446?home> (Accessed December 9, 2009)
- 8 “Is It Time to Eliminate Consultation Codes?” by Joel I. Shalowitz, MD, MBA, Archives of Internal Medicine, November 19, 2009, <http://archinte.ama-assn.org/cgi/content/full/nmed.2009.446?home> (Accessed December 9, 2009)
- 9 “Why Neurologists and Other Specialists Oppose a CMS Proposal to Eliminate Consultation Codes” by Lola Butcher, Neurology Today, Vol. 9, no. 20 (October 15, 2009), p. 16.
- 10 “Why Neurologists and Other Specialists Oppose a CMS Proposal to Eliminate Consultation Codes” by Lola Butcher, Neurology Today, Vol. 9, no. 20 (October 15, 2009), p. 20.



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