

### *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.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup> 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.<sup>7</sup>

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.<sup>8</sup>

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.<sup>9</sup> 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).<sup>10</sup> The Senate Finance Committee's May 2009 healthcare financing report indicated support of MedPAC's March 2009 recommendation.<sup>11</sup> 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%.<sup>12</sup> Any adjustment of the utilization rate above fifty 50% would result in lower Practice Expense RVU reimbursement.<sup>13</sup> The CBO suggested that increasing the utilization rate would save the Medicare Trust Fund over \$1 billion dollars over the next five years.<sup>14</sup>

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*.”<sup>15</sup> 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.<sup>16</sup> 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.<sup>17</sup>

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.<sup>18</sup>

<sup>1</sup> “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)

<sup>2</sup> “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)

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

<sup>4</sup> “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)

<sup>5</sup> “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)

<sup>6</sup> “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)

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

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

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

<sup>10</sup> “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](http://www.medpac.gov/documents/Mar09_March%20report%20testimony_WM%20FINAL.pdf) (Accessed 6/16/09)

<sup>11</sup> “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)

<sup>12</sup> “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](http://www.healthimaging.com/index.php?option=com_articles&view=article&id=17868) (Accessed 6/24/2009)

<sup>13</sup> “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](http://www.medpac.gov/documents/Mar09_March%20report%20testimony_WM%20FINAL.pdf) (Accessed 6/16/09)

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

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

<sup>16</sup> “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](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)

<sup>17</sup> “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)

<sup>18</sup> “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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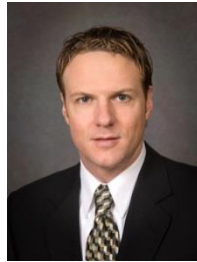
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