

U.S. House and Senate Notification

Wednesday, November 27, 2013

To: Congressional Health Staff

From: Lauren Aronson

Director, Office of Legislation

Centers for Medicare & Medicaid Services

Re: CMS Issues Final Policy and Payment Changes to the Medicare Physician Fee Schedule for calendar year (CY) 2014

Today, the Centers for Medicare & Medicaid Services (CMS) issued a final rule with comment period that would update payment policies and payment rates for services furnished under the Medicare Physician Fee Schedule (PFS) on or after January 1, 2014.

CMS projects a steep across-the-board reduction in payment rates, based on a formula—called the Sustainable Growth Rate (SGR)—that was adopted in the Balanced Budget Act of 1997. If it goes into effect, the conversion factor would be reduced by 20.1 percent for services in 2014. The CY 2014 conversion factor is \$27.2006, which reflects a smaller reduction in the conversion factor than the 24.4 percent reduction that we projected in March 2013. The smaller reduction is due in part to a 4.72 percent adjustment to the conversion factor to offset the decrease in Medicare physician payments that would otherwise have occurred due to the CY 2014 rescaling of the RVUs so that the proportions of total payments for the work, PE, and malpractice RVUs match the proportions in the final revised Medicare Economic Index (MEI) for CY 2014. CMS projects that total payments under the fee schedule in 2014 will be approximately \$87 billion.

The rule continues to take steps to expand access to primary care services by providing payment for chronic care coordination services, beginning in CY 2015. Specifically, in 2015, Medicare will make separate payment for non-face-to-face chronic care management services for Medicare beneficiaries who have multiple (two or more), significant chronic conditions. The rule indicates that CMS intends to establish practice

standards necessary to support payment for furnishing care management services through future notice-and-comment rulemaking.

Under the misvalued codes initiative, CMS finalized the values for approximately 200 codes. Approximately 200 additional codes had their work relative value units changed on an interim basis for 2014. Included in these are services for hip and knee replacements, mental health services and GI endoscopy services. These rates are open for public comment until January 27, 2014. CMS is not finalizing its proposal to adjust relative values under the PFS to effectively cap the physician practice expense payment for procedures furnished in a non-facility setting at the total payment rate for the service when furnished in an ambulatory surgical center or hospital outpatient setting. Instead, CMS will take additional time to consider issues raised by the public commenters and plans to address this issue in future rulemaking.

The rule makes refinements to the Physician Quality Reporting System program (PQRS), the Medicare Shared Savings Program, and the Medicare EHR Incentive Program. In addition, the rule continues to implement the physician value-based payment modifier (Value Modifier) which would adjust payments to individual physicians or groups of physicians based on the quality of care furnished to Medicare beneficiaries compared to costs. For the CY 2016 physician payment rates, CMS finalized a policy to apply the Value Modifier to all groups of physician with 10 or more eligible professionals. For groups of 10 or more that do not participate in PQRS, CMS will apply a 2.0 percent payment reduction under the Value Modifier. The performance period for the CY 2016 Value Modifier was established in last year's rulemaking as CY 2014.

The final rule also includes several other policies that are described in more detail in the attached press release and factsheets.

The final rule can be viewed at: <http://federalregister.gov/inspection.aspx>. CMS will accept comments on the final rule with comment period until January 27, 2014.

Please contact the CMS Office of Legislation if you have any questions. Thank you.