



What do these terms mean and how may it affect us in 2008?

- Budget Neutrality – Medicare payments to physicians come from a fixed pool of money. If changes in the values assigned to physician services cause total spending to increase/decrease by more than \$20M from the previous year, CMS must apply an adjustment to compensate for this fluctuation. The change in spending between 2007 and 2008 will exceed this threshold and, by law, CMS must impose the adjustment.
- Practice Expense – CMS is transitioning to a new method to calculate practice expense. 2008 will be the second year of a four-year phase-in that has resulted in payment cuts for many specialties – including anesthesiology.
- Sustainable Growth Rate (SGR) – Medicare payments are determined by a very complex formula. SGR is one element of this formula that establishes spending targets. If spending is greater than the targets, Congress requires CMS to cut payment rates in order to get spending back in line. ASA, AMA and all of medicine oppose this element of the formula and have been able to convince Congress to override it since 2003. If this element of the formula is not changed or if Congress permits it to go forward for 2008, all of medicine will see a –9.9% payment cut.

~~~**BOTTOM LINE**~~~

With all the announced cuts and no work increase, ASA has calculated that the 2008 anesthesia conversion factor will be \$14.33. This means that the impact of the anesthesia work increase—as compared to the earlier \$14.33 estimate—is a gain of \$3.39 a unit.

## Four possible payment scenarios

### Scenario 1: Full work increase without SGR cut:

| Date     | Item                 | Debit  | Credit | Balance        |
|----------|----------------------|--------|--------|----------------|
| 12-31-07 | STARTING CF          |        |        | \$16.19        |
|          |                      |        |        |                |
| 1-1-08   | Proposed work update |        | \$4.00 | \$20.19        |
|          |                      |        |        |                |
| 1-1-08   | Budget Neutrality    | \$0.33 |        | \$19.86        |
|          |                      |        |        |                |
| 1-1-08   | Practice Expense     | \$0.19 |        | \$19.67        |
|          |                      |        |        |                |
| 1-1-08   | SGR                  | \$0.00 |        | \$19.67        |
|          |                      |        |        |                |
|          | <b>ENDING CF</b>     |        |        | <b>\$19.67</b> |

**Scenario 2: Full work increase with SGR cut:**

| Date     | Item                 | Debit  | Credit | Balance        |
|----------|----------------------|--------|--------|----------------|
| 12-31-07 | STARTING CF          |        |        | \$16.19        |
| 1-1-08   | Proposed work update |        | \$4.00 | \$20.19        |
| 1-1-08   | Budget Neutrality    | \$0.33 |        | \$19.86        |
| 1-1-08   | Practice Expense     | \$0.19 |        | \$19.67        |
| 1-1-08   | SGR                  | \$1.95 |        | \$17.72        |
|          | <b>ENDING CF</b>     |        |        | <b>\$17.72</b> |

**Scenario 3: No work increase; no SGR cut**

| Date     | Item                 | Debit  | Credit | Balance        |
|----------|----------------------|--------|--------|----------------|
| 12-31-07 | STARTING CF          |        |        | \$16.19        |
| 1-1-08   | Proposed work update |        | \$0.00 | \$16.19        |
| 1-1-08   | Budget Neutrality    | \$0.09 |        | \$16.10        |
| 1-1-08   | Practice Expense     | \$0.19 |        | \$15.91        |
| 1-1-08   | SGR                  | \$0.00 |        | \$15.91        |
|          | <b>ENDING CF</b>     |        |        | <b>\$15.91</b> |

**Scenario 4: No work increase; SGR cut**

| Date     | Item                 | Debit  | Credit | Balance        |
|----------|----------------------|--------|--------|----------------|
| 12-31-07 | STARTING CF          |        |        | \$16.19        |
| 1-1-08   | Proposed work update |        | \$0.00 | \$16.19        |
| 1-1-08   | Budget Neutrality    | \$0.09 |        | \$16.10        |
| 1-1-08   | Practice Expense     | \$0.19 |        | \$15.91        |
| 1-1-08   | SGR                  | \$1.58 |        | \$14.33        |
|          | <b>ENDING CF</b>     |        |        | <b>\$14.33</b> |

These are our best current *estimates* based on the information published by CMS; however, the actual conversion factor often changes between publication of the proposed rule in the summer and the final rule in the fall. **So the actual anesthesia conversion factor for 2008 may turn out to be different than shown here, depending on decisions by CMS and possible Congressional action.**