

March 2016

CMS Explains Change to 2016 Conversion Factors

The March 8, 2016 Federal Register includes a list of corrections to the CY2016 Medicare Physician Fee Schedule. This [correction notice](#) provides background on the reasons behind the decrease to the Anesthesia and the Resource Based Relative Value System (RBRVS) conversion factors (CF) as was announced by the Centers for Medicare and Medicaid Services (CMS) in January. The CY2016 Medicare Anesthesia CF is \$21.9935 and the RBRVS CF is \$35.8043.

CMS states that a technical error impacted the practice expenses for services that are reported with different payment modifiers and services for which payment is adjusted for time. Because the separate reporting of time is a unique aspect of anesthesia coding and billing, the anesthesia fee schedule was significantly impacted.

A November 2015 ASA Timely Topic [Why Did the Medicare Conversion Factor Go Down for 2016 When MACRA Said It Would Go Up by 0.5%?](#) described all the factors that are taken into account when calculating Medicare conversion factors. The 0.5% increase that comes from the Medicare Access and CHIP Reauthorization Act (MACRA) is just a part of the equation. A review of that Timely Topic will explain those factors beyond MACRA and also clarify why the anesthesia practice expense and malpractice components were adjusted for CY 2016. The error had an impact on those other factors considered in the calculations as well, resulting in a 'ripple' effect throughout the fee schedule.

The calculations for both the anesthesia conversion factor and the RBRVS conversion factor as previously published by CMS and as corrected in the March 8 notice are shown in the following two tables. When doing the math, it appears that there are errors in CMS's presentation of the anesthesia data. A close look at the anesthesia update shows that the value for the anesthesia malpractice adjustment exactly matched the target recapture – a rather unlikely finding. The changes to the Practice Expense and Malpractice components of the anesthesia fee schedule should be a total of 0.97628. Breaking them down into separate components, as in the March 8 correction notice, is not an accurate representation. CMS staff has confirmed that the final conversion factor value of \$21.9935 is correct. As such, we anticipate further clarification from CMS that would match our final column in the anesthesia table.

Timely Topics

PAYMENT AND PRACTICE MANAGEMENT

Anesthesia	As Previously Published	Per 3/8/2016 Correction Notice	Anticipated Clarification
CY 2015 National Average Conversion Factor	\$22.6093	\$22.6093	\$22.6093
0.5% Update per MACRA	1.005	1.005	1.005
Budget Neutrality Adjustment	0.9998	0.99924	0.99924
Anesthesia Practice Expense and Malpractice Adjustment	0.9955		0.97628
Anesthesia Fee Schedule Practice Expense Adjustment		0.97628	
Anesthesia Fee Schedule Malpractice Adjustment		0.9922	
Misvalued Codes Target Recapture Amount	0.9923	0.9922	0.9922
CY 2016 Conversion Factor	\$22.4426	\$21.9935	\$21.9935

*Current CF * MACRA update * Budget Neutrality Adjustment * Anesthesia PE and MP Adjustment * Misvalued Codes Target Recapture = CY2016 CF*

RBRVS	As Previously Published	Per 3/8/2016 Correction Notice
CY 2015 Conversion Factor	\$35.9335	\$35.9335
0.5% Update per MACRA	1.005	1.005
Budget Neutrality Adjustment	0.9998	0.99924
Misvalued Codes Target Recapture Amount	0.9923	0.9922
CY 2016 Conversion Factor	\$35.8279	\$35.8043

*Current CF*MACRA update*Budget Neutrality Adjustment*Misvalued Codes Target Recapture = CY2016 CF*