

Timely Topics

PAYMENT AND PRACTICE MANAGEMENT

November 2015

Why Did the Medicare Conversion Factor Go Down for 2016 When MACRA Said It Would Go Up by 0.5%?

The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) repealed the Sustainable Growth Rate (SGR) formula long used to calculate the Medicare conversion factors (CF) for both anesthesia services and services paid under the Resource Based Relative Value System (RBRVS). The Act specified that the Medicare CFs would increase the 2015 CF by 0.5% for services provided from July 1, 2015 through December 31, 2015. The CFs were then to increase by 0.5% each year from 2016 until 2019. The Centers for Medicare and Medicaid Services (CMS) recently released the 2016 conversion factors and many have expressed concern and surprise over what they are seeing. This article will explain what other factors remain in play and how they continue to impact the Medicare CFs.

The table below shows the CFs for 2015 and 2016:

	Anesthesia CF	RBRVS CF
January 1 – June 30, 2015	\$22.4968	\$35.7547
July 1 – December 31, 2015	\$22.6093	\$35.9335
January 1 – December 31, 2016	\$22.4426	\$35.8279

The MACRA math works for the July 1, 2015 update:

$$\text{Anesthesia: } \$22.4698 * 1.005 = \$22.6093$$

$$\text{RBRVS: } \$35.7547 * 1.005 = \$35.9335$$

However, that is not the case for the January 1, 2016 update. If MACRA were the only factor involved in calculating the CFs, we would have been:

$$\text{Anesthesia: } \$22.6093 * 1.005 = \$22.7742$$

$$\text{RBRVS: } \$35.9335 * 1.005 = \$36.1131$$

How did a positive 0.5% update turn into a 0.74% reduction for anesthesia and a 0.30% reduction for RBRVS?

There are several reasons behind the decreases for 2016. While MACRA did away with the SGR formula that would have resulted in a CF decrease of about 21.2%, it did not take away the mandatory budget neutrality adjustments to the fee schedule. Changes to relative value units (RVUs) cannot result in a shift greater than \$20M (either up or down). If more than

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\$20M moves, CMS must adjust the fee schedule - which it does through the CF. For 2016, the budget neutrality was -0.02%.

Other legislation introduced a requirement to meet a target for misvalued services. The Protecting Access to Medicare Act of 2014 (PAMA) was the vehicle for the 2014 SGR override. PAMA averted a -24.1% CF cut. However, PAMA also mandated that if adjustments to the fee schedule as a result of the re-valuation of services that were flagged by CMS as “potentially misvalued” did not achieve savings equal to 0.5% Medicare expenditures, the difference between the target amount and the expenditures would be taken out of the total fee schedule spend. Under PAMA, this 0.5% target would be in place from 2017 through 2020. The Achieving a Better Life Experience Act of 2014 (ABLE) superseded PAMA. Per ABLE, the target is in effect for 2016 through 2018. ABLE also increased the target to 1.0% for 2016; the 0.5% target remains in place for 2017 and 2018. Under both PAMA and ABLE, if savings exceed the target, the savings are redistributed within the fee schedule. If savings do not reach the target, the difference - known as the target recapture amount - comes out of the fee schedule. The 1.0% target was not achieved for 2016 which resulted in yet another decrease to the CF. For 2016, this comes to -0.79%

Over the years, legislation to override SGR cuts included a number of extenders. One such extender established a floor of 1.0 for the work geographic price cost index (GPCI) used to adjust Medicare payments by locale. Under RBRVS, these adjustments are made to the RVUs. For anesthesia, they are expressed in the CF. Some locales may be seeing more marked changes than others if the work GPCI has fallen below 1.0. The formulas CMS uses to determine payment at the CPT® code level are:

Anesthesia	Medicare Allowed Amount = (Base Units + Time Units) * Geographically Adjusted CF
RBRVS	Medicare Allowed Amount = ((RVU _{work} *GPCI _{work})+(RVU _{PE} *GPCI _{PE})+(RVU _{MP} *GPCI _{MP}))*CF

PE = Practice Expense MP = Malpractice Insurance

The remaining factor behind the 2016 decrease is specific to anesthesia. CMS is required to review the malpractice component of the fee schedule every five years. This review for RBRVS took place in 2015 but CMS delayed that review for anesthesia services for a year to make sure it used an accurate methodology. The anesthesia CF saw a -0.445 adjustment subsequent to this review.

The budget neutrality, misvalued codes targets and in the case of anesthesia, the MP review components of the fee schedule subsumed the positive 0.5% update from MACRA. Pulling it all together, the calculations under the 2016 CF's are:

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Anesthesia:

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

RBRVS:

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

	Anesthesia	RBRVS
Current CF (July - Dec 2015)	\$22.6093	\$35.9335
0.5% Update per MACRA	1.005	1.005
Budget Neutrality Adjustment	0.9998	0.9998
Misvalued Codes Target Recapture Adjustment	0.9923	0.9923
Anesthesia PE and MP Adjustment	0.99555	
2016 Conversion Factor	\$22.4426	\$35.8279