

From the CEO

Medicare 2008: Two Steps Forward, One Step Back?

By Barbara Baldwin, M.P.H.



As funding of the Medicare program approaches a crisis point, the ASA has performed a miracle of sorts. Over the past five years, under the cloak of confidentiality, a small group working with the Relative Value Update Committee developed convincing evidence that the anesthesia work value in the Medicare Fee Schedule is grossly understated. In delicate discussions with CMS, a significant increase of 32 percent in the work value was accepted and published in the proposed rules for the 2008 Medicare Fee Schedule.

When the final rule was issued on November 1, the increase was included but the calculation of the conversion factor was incorrect. The ASA quickly notified CMS and the correct formula was applied. If no additional adjustments were made, anesthesiologists would experience a net increase of about \$4 per unit. In calculating a case mix that has about 30 percent of anesthesiologists' services billed using nonanesthesia codes such as blocks and E&M codes, that average anesthesiologist would have an increase of 15 percent in allowed charges.

The projected increases are based on applying the new formula to the 2007 anesthesia conversion factors with no other adjustments. However, an overall reduction in payment for physician services is mandated under the Sustained Growth Rate (SGR) formula. In the past six years Congress has preempted reductions by passing legislation that either gave fractional increases or froze rates to the previous year's level. If Congress fails to come to the rescue again, anesthesiology will be the only specialty to realize a net gain in payments of about four percent in 2008. The rest of medicine will face a 10 percent cut in Medicare payments beginning in January 2008 and a 15 percent cut from the current baseline in 2009.

Since its implementation in 1998, the SGR has become widely recognized by all sides as one of the most serious threats to physician participation in the Medicare program. The SGR sets annual targets for spending for physician services, and annual fee adjustments are mandated to offset the previous year's overspending. In developing the SGR, the predictions of growth in spending did not anticipate the explosive growth in physician services due to unanticipated increases in volume and intensity. Despite the fact that physicians have very limited control over the burgeoning increases, achieving a correction in how future spending is predicted has failed.

What does the Future Hold for Medicare Fees?

Each year that an SGR update is postponed, the debt owed from past “over-payments” increases under the current requirements. While politicians and policy makers agree that the formula is seriously flawed, only band-aid stop-gap measures to avert imminent disaster have been passed. The cost of applying a more reasonable benchmark, the Medicare Economic Index, would cost the government tens of billions of dollars.

With health care reform the most prominent domestic issue in the 2008 Presidential campaign, and cost containment one of the cornerstones of financing it, one can hardly expect substantial increases in payment to make up for the errors of the past. A worthy goal is to wipe out the debt and abandon the SGR formula, which perpetuates the myth that physicians are overspending on behalf of Medicare patients.

New Anesthesia Codes for 2008

The 2008 Relative Value Guide includes two new codes, each having five base units:

01935	Anesthesia for percutaneous image-guided procedures on the spine and spinal cord: diagnostic
01936	Anesthesia for percutaneous image-guided procedures on the spine and spinal cord: therapeutic

One code was deleted:

01905	Anesthesia for myelography, discography, vertebroplasty
-------	---------------------------------------------------------

Also, explanatory comments were added to several codes, and modifiers 22, 25, 51, and 59 were revised.

The California conversion factors are as follows:

Carrier	Locale	Locality Name	*2008 Anes CF	2007 Anes CF
31146	26	Anaheim/Santa Ana, CA	20.87	17.03
31146	18	Los Angeles, CA	20.85	17.95
31140	03	Marin/Napa/Solano, CA	20.46	16.80
31140	07	Oakland/Berkeley, CA	20.82	17.11
31140	05	San Francisco, CA	21.26	17.55
31140	06	San Mateo, CA	21.43	17.68
31140	09	Santa Clara, CA	21.42	17.76
31146	17	Ventura, CA	20.50	16.51
31140	99	Rest of California	19.64	15.96
31146	99	Rest of California	19.64	15.96

*Figures revised January 2008 as the *Bulletin* went to press.