



2009 Medicare Physician Payment Rates: What to Expect in Your Practice

Factors Affecting 2009 Rates

In July 2008, the U.S. Congress passed a law that provided an average 1.1 percent increase in Medicare physician payment rates for 2009. This payment update is far from the only change affecting 2009 rates, however. Payment changes will vary by service, specialty and locality based on the following factors:

- The **1.1 percent update** is an across-the-board increase from the 2008 payment rates that applies to all Medicare physician payment schedule services. It does not apply to physician-administered drugs or clinical laboratory fee schedule services.
- This year will be the third year of a four-year transition to **revised practice expense relative value units**.
- Updates to the **geographic adjustment factors or GPCIs** for 2008 were phased in over two years, so additional changes in the GPCIs are occurring in 2009. In addition, the Medicare Improvements for Patients and Providers Act (MIPPA) that passed last July continued the floor of 1.00 on the physician work GPCI for 2009.
- The **budget neutrality adjustment** that was applied in 2007 and 2008 has been moved from the work relative values to the conversion factor for 2009. This has the effect of increasing payment rates for many services and decreasing rates for some services, and the change was strongly supported by organized medicine. Although the elimination of the work adjustment factor leads to a numerical reduction in the Medicare conversion factor, however, it does not reduce average payment rates as it is a budget neutral change.
- Some services will have revised **relative value units for physician work** based on a review of misvalued services.
- **Some services have been added to those that are subject to imaging payment cuts** stemming from the Deficit Reduction Act of 2005 which limits payments to no more than the comparable payment in hospital outpatient departments.

The combined impact of these various payment changes on your practice depends on your specialty, location and service mix. When all of the changes are averaged out across all physicians, most physicians will see a net increase in their Medicare rates, but some will see net decreases. Many other payers as well as Medicare Advantage plans link their rates to the Medicare rates, so payment impacts from the Medicare changes will likely be magnified. **The table from the Final Rule showing the 2009 payment impacts for each specialty is provided at the end of this document.**

Physician Quality Reporting Initiative (PQRI)

The AMA is well aware of the serious shortcomings in the initial implementation of the PQRI program for the last six months of 2007 that were widely reported by physicians who attempted to participate. The AMA is continuing to press Medicare officials and the incoming Obama Administration for significant changes in the way in which the PQRI program is administered.

During 2008, physicians who successfully reported on quality measures included in the PQRI became eligible to receive a bonus of 1.5 percent of their total Medicare allowed charges for that year. The bonus payments will be made as a lump sum payment in mid-2009.

The MIPPA law passed by Congress extended this program and increased the bonus payment for 2009 (payable in 2010) to 2 percent. Physicians who participate in the PQRI from January through December 2009 will be eligible to receive a bonus of 2 percent of their total Medicare allowed charges for the year 2009 as a lump sum payment sometime after February 2010. Information about the measures used in the PQRI program and how to report them is available at the AMA Web site at:

<http://www.ama-assn.org/ama/pub/category/17432.html>

Incentive Payments for Electronic Prescribing

Starting in 2009, Medicare will also offer eligible physicians incentive payments when they use an electronic prescribing (e-prescribing) system to prescribe for Medicare patients. The Electronic Prescribing Incentive Program was authorized by the MIPPA law.

For 2009 and 2010, e-prescribing incentive amounts will be 2 percent of a physician's total estimated allowed charges for covered professional services during the reporting period (one calendar year). The incentive amount decreases to 1 percent in 2011 and 2012 and finally to 0.5 percent in 2013. Detailed information about the e-prescribing incentive payments, including a frequently asked questions document, is available on the AMA Web site at: <http://www.ama-assn.org/ama/pub/category/20298.html>

Other 2009 Medicare Changes

The 2009 Medicare payment schedule Final Rule discusses several other important changes in Medicare payment policies that do not affect payment rates but are nonetheless significant issues for physician practices. Physicians who wish to learn more about the other issues addressed in the Final Rule, including new policies on enrollment, hospital-acquired conditions and physician resource use feedback, may review the AMA comment letter on the Final Rule at:

<http://www.ama-assn.org/go/medicarepaymentkit>

Participation Options

For 45 days at the end of each year, physicians have an opportunity to notify Medicare whether they will be a "participating" or a "non-participating" physician in the coming year. The participation decision period for 2009 ended Dec. 31, 2008 and participation decisions are binding for the entire calendar year. Additional information about Medicare participation options, including opting out of Medicare (private contracting) is available on the AMA Web site at: <http://www.ama-assn.org/go/medicarepaymentkit>

Future Outlook

Under current law, severe Medicare physician pay cuts would begin in January 2010. The AMA is working closely with the incoming Obama Administration and Congress to seek enactment of a long-term solution that will avert all of the pending pay cuts and provide for payment updates that reflect increases in practice costs.

More Information:

The 18th edition of the *Medicare RBRVS: The Physicians' Guide* clearly describes the payment rules that take effect in 2009 and provides a more detailed explanation of how these rules may impact a physician's practice. To order this important resource, visit www.amabookstore.com or call (800) 621-8335.

TABLE 48: Combined CY 2009 Total Allowed Charge Impact for Work RVU Changes, Practice Expense Changes, and MIPPA Changes

	Specialty	Allowed Charges (mil)	Work and PE RVU Changes*	MIPPA 133(b)**	MIPPA 131 Update	Total***
1	TOTAL	\$ 81,669	0%	0%	1%	1%
2	ALLERGY/IMMUNOLOGY	\$ 184	1%	-3%	1%	-1%
3	ANESTHESIOLOGY	\$ 1,966	-1%	3%	1%	3%
4	CARDIAC SURGERY	\$ 400	0%	1%	1%	2%
5	CARDIOLOGY	\$ 7,775	-2%	-1%	1%	-2%
6	COLON AND RECTAL SURGERY	\$ 136	0%	1%	1%	2%
7	CRITICAL CARE	\$ 224	0%	2%	1%	3%
8	DERMATOLOGY	\$ 2,557	2%	-2%	1%	1%
9	EMERGENCY MEDICINE	\$ 2,451	0%	3%	1%	4%
10	ENDOCRINOLOGY	\$ 385	0%	0%	1%	2%
11	FAMILY PRACTICE	\$ 5,354	0%	0%	1%	2%
12	GASTROENTEROLOGY	\$ 1,883	2%	1%	1%	3%
13	GENERAL PRACTICE	\$ 842	0%	0%	1%	2%
14	GENERAL SURGERY	\$ 2,408	1%	1%	1%	3%
15	GERIATRICS	\$ 175	0%	2%	1%	3%
16	HAND SURGERY	\$ 88	-1%	-1%	1%	-1%
17	HEMATOLOGY/ONCOLOGY	\$ 2,019	-1%	-2%	1%	-1%
18	INFECTIOUS DISEASE	\$ 561	1%	2%	1%	4%
19	INTERNAL MEDICINE	\$ 10,662	0%	1%	1%	2%
20	INTERVENTIONAL RADIOLOGY	\$ 228	-1%	0%	1%	0%
21	NEPHROLOGY	\$ 1,840	-1%	1%	1%	2%
22	NEUROLOGY	\$ 1,489	0%	0%	1%	1%
23	NEUROSURGERY	\$ 620	-1%	0%	1%	0%
24	NUCLEAR MEDICINE	\$ 79	-1%	-2%	1%	-1%
25	OBSTETRICS/GYNECOLOGY	\$ 654	0%	0%	1%	0%

	Specialty	Allowed Charges (mil)	Work and PE RVU Changes*	MIPPA 133(b)**	MIPPA 131 Update	Total***
26	OPHTHALMOLOGY	\$ 5,026	0%	0%	1%	0%
27	ORTHOPEDIC SURGERY	\$ 3,454	0%	0%	1%	0%
28	OTOLARNGOLOGY	\$ 984	-1%	-1%	1%	-1%
29	PATHOLOGY	\$ 1,007	0%	0%	1%	1%
30	PEDIATRICS	\$ 72	1%	0%	1%	2%
31	PHYSICAL MEDICINE	\$ 850	0%	1%	1%	1%
32	PLASTIC SURGERY	\$ 288	0%	0%	1%	1%
33	PSYCHIATRY	\$ 1,169	1%	2%	1%	4%
34	PULMONARY DISEASE	\$ 1,828	1%	1%	1%	3%
35	RADIATION ONCOLOGY	\$ 1,854	-1%	-3%	1%	-3%
36	RADIOLOGY	\$ 5,554	0%	-1%	1%	0%
37	RHEUMATOLOGY	\$ 521	0%	-1%	1%	-1%
38	THORACIC SURGERY	\$ 431	0%	1%	1%	2%
39	UROLOGY	\$ 2,146	0%	-1%	1%	0%
40	VASCULAR SURGERY	\$ 685	0%	-1%	1%	1%
41	AUDIOLOGIST	\$ 33	-9%	-2%	1%	-10%
42	CHIROPRACTOR	\$ 768	-1%	2%	1%	2%
43	CLINICAL PSYCHOLOGIST	\$ 571	-2%	3%	1%	2%
44	CLINICAL SOCIAL WORKER	\$ 378	-1%	3%	1%	3%
45	NURSE ANESTHETIST	\$ 846	0%	4%	1%	5%
46	NURSE PRACTITIONER	\$ 963	1%	1%	1%	3%
47	OPTOMETRY	\$ 867	0%	-1%	1%	0%
48	ORAL/MAXILLOFACIAL SURGERY	\$ 38	1%	-1%	1%	1%
49	PHYSICAL/OCCUPATIONAL THERAPY	\$ 1,772	2%	0%	1%	3%
50	PHYSICIAN ASSISTANT	\$ 711	0%	1%	1%	2%
51	PODIATRY	\$ 1,727	1%	-1%	1%	1%
52	DIAGNOSTIC TESTING FACILITY	\$ 1,186	-2%	-5%	1%	-6%
53	INDEPENDENT LABORATORY	\$ 878	5%	-4%	1%	2%
54	PORTABLE X-RAY SUPPLIER	\$ 87	2%	-4%	1%	-2%

* PE changes are CY 2009 third year transition changes. For fully implemented CY 2010 PE changes, see Table 1.

** Prior to the application of the OPPI imaging caps under DRA 5102

***Components may not sum to total due to rounding