

## REIMBURSEMENT 1999 - RIDING THE ROLLER COASTER

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Margaret Hansen is a cardiologist whose new patient and diagnostic test referrals have been on a roller coaster for the past few years. The practice's revenue is steadily declining. She estimates that 60% of her patients are enrolled in Medicare. Every year, Dr. Hansen notes, Medicare has reduced reimbursement for numerous services that she provides. She has been alarmed by forecasts her professional medical society has been providing. They projected Medicare reimbursement for certain services in 1999 could be reduced significantly. Most notably, resting echocardiogram payments could be reduced about 50% in the next four years, while there could a payment increase in stress echocardiography, a less utilized service. The thought of losing that much revenue has been sobering. Physicians like Dr. Hansen have faced their share of economic and business challenges. The reasons are numerous: turf battles; competitiveness; policies restricting practices; increased caution about billing practices; payers modifying compensation policies; and the diminished payment levels that results from all of these.

Dr. Hansen recently received a contrasting jolt. In a surprise turn of events, the Health Care Financing Administration (HCFA) newly released Medicare physician payment policies for 1999, reveals reimbursements that are essentially unchanged for echocardiography services. Considering the previously projected significant reductions, the 1999 Medicare payments are indeed good news.

TABLE 1		
Estimate % Change from 1998 - 1999		
	GLOBAL	PROFESSIONAL
Transthoracic Echo	-2%	-7%
Doppler	-2%	-7%
Color Doppler	-1%	-1%
Stress Echo	-3%	-7%

Global payments include both the technical and professional component of the procedure

The 1999 Part B Medicare Fee Schedule reveals an overall average increase of 2.3% in physician payments. But upon examining the impact more carefully, technology driven specialists, such as cardiologists and surgeons, will see a small overall decrease while primary care practices will see an increase. In fact, according to HCFA, cardiologists will realize an average 2% reduction across the board. Why the split? As a result of HCFA's mandate to move from a historical charge payment method to a system that reflects actual costs, diagnostic testing is considered inflated, resulting in reduced payments. Consequently, practices like Dr. Hansen's will see a decreases in payments for their testing services. However, reimbursement for patient visits will continue to increase, resulting in overall increases for primary care practices whose main revenue stream is from these visits.

Sound confusing? You and Dr. Hansen are not alone. Revision of practice expenses and their impact to the Medicare Fee Schedule have been the center of debate among HCFA, physicians and their professional organizations, and Congress for many years. While 1999 is the first year of implementation of reallocated practice expenses, the conflict as to how to best calculate practice expense is not over. Multiple variables shape the annual changes to the Medicare fee schedule, but this article will focus primarily on the impact that reallocated practice expenses will have on echocardiography.

The implications of the recently announced rules for practice expense are better understood after looking back at the implementation of a first time Medicare Fee Schedule in 1992. At that time, a scale of weighted values, labeled Relative Value Units (RVUs) was assigned by Medicare to medical services across all medical specialties. These values represented utilized resources for services, which were distributed into three RVU components: physician work; practice expense; and malpractice. Practice expense RVU's represent overhead (staff, equipment, supplies, rent, etc.), and affect the technical component payment of procedures. All RVU's are combined and multiplied by a conversion factor (a dollar value per RVU) to establish an actual payment for each service. At the onset of the fee schedule, practice expense RVU's were based on historical charges rather than costs.

In 1994, Congress directed HCFA to complete the implementation of a payment methodology that reflects actual costs. HCFA was prepared to fulfill Congress mandate by January 1, 1998. However, Congress delayed the implementation until 1999, based on an overwhelming critical response from most of the medical specialty societies, including the American College of Cardiology (ACC) and American Society of Echocardiography (ASE). The societies argued that unsuitable methodologies were used to calculate actual costs. As part of that delay, Congress ordered HCFA to redraft their proposal using a more accurate method of calculating practice expenses. Congress also called for a four-year transition period to implement new practice expense reallocations, beginning in 1999 and ending in the year 2002.

These changes by Congress, also meant significant delays in anticipated increased patient visit payments. To make up for the delay, Congress authorized an unexpected redistribution of practice expense RVUs from procedures to evaluation and management (patient visits) services for the year 1998 and redistributed \$390 million to these services as a one time down payment. This redistribution and other fee schedule factors resulted in payment changes to some echo services and a reduction to stress echo payments for 1998. Based on the reallocated practice expense RVU's, the reduced conversion factor, and other technical revisions to the 1999 fee schedule, Table 1 illustrates the reimbursement percentage change from 1998 to 1999. Note that the change to practice expense RVU's is minimal for all echocardiography services. Dr. Hansen and other echocardiography providers dodged a huge reimbursement reduction bullet!

TABLE 2		
Examples Based on 1999 Fee Schedule (National Average)		
GLOBAL PAYMENTS		
	1998	2002 (projected)
Echo w/ Doppler and Color Doppler	\$425	\$394
Stress Echo w/ Stress Test	\$245	\$239
PROFESSIONAL PAYMENTS		
	1998	2002 (projected)
Echo w/ Doppler and Color Doppler	\$105	\$71
Stress Echo w/ Stress Test	\$115	\$79

As for the phase in years beyond 1999, the predicted payments are included in Table 2. Keep in mind, that further modifications to reimbursement are inevitable, since HCFA has not completed their refinement process. HCFA will continue to work extensively with many of the specialty medical societies, including the ACC and ASE, to devise a more accurate payment methodology that reflects actual costs utilized for echocardiography services. Simply put, expect some additional changes in upcoming years, but be assured that the ASE will be working hard to maintain technical component payments. The ASE will also strive to correct the inequities of stress echo payments with HCFA.

Although the impact on individual practices will vary widely, Table 2 shows examples of how the national average reimbursement will look for 1999 and beyond. Another twist in the ongoing question about the future of reimbursement is the recently filed lawsuit by a group of specialty medical societies (including the ACC) against the Department of Health and Human Services. According to the American Medical Association, the suit charges that the formula the government is using to implement the four year transition to resource based practice expense is unlawful and invalid. Their reason? They disagree with using 1998 as the base year used to implement the policy change. These societies believe the correct year should be 1991. Using 1998 as the base year affects \$495 million in practice expense payments over the next four years. The societies have asked the court to stop the implementation of the rule before January 1, 1999.

For 1999, the year is starting out with a happier story than predicted. The echocardiography community has weathered many changes over the years, averting disasters. For most doctors, it's going to be business as usual, but if you are like Dr. Hansen, you are beginning to look at your fundamental principles for managing the practice. Dodging the reimbursement bullet, again, has taught her a valuable lesson. The roller coaster ride may continue, but she is not going to stand by and wait to see what happens. Dr. Hansen has been thinking about some of the business opportunities she missed, because of her fear of greater revenue loss and lack of time.

Dr. Hansen is planning to pay more attention to the environment, since the reimbursement climate is not stagnant, and issues are complex. She expressed an interest in allocating more time to develop strategies to overcome future shifts in reimbursement and market variability.

Before this reprieve, Dr. Hansen thought the only solution was to cut costs, a distasteful consideration, since she equated cutting costs with poorer quality of service. Upon discussions with this author, Judy Rosenbloom, Dr. Hansen became interested in learning how to tie good medicine and good business together. Accordingly, Dr. Hansen began looking at her echocardiography service, as well as overall trends in echocardiography.

Dr. Hansen wasn't surprised to learn from a 1997 survey that the average procedure volume per site is up 6% from the 1996 average. Echocardiography is a low cost procedure compared to other modalities, such as nuclear medicine. This author also pointed out that echocardiograms and associated stress echoes are revenue producing, and, as in any business, she reflected, Dr. Hansen would be well served to protect that revenue stream. So, together, they designed a quick thumbnail sketch of her practice.

## A SKETCH OF DR. HANSEN'S PRACTICE

- What makes my echo service first rate?
- I provide high quality diagnostic tests
- I employ a highly qualified cardiac sonographer
- I have good correlation with other diagnostic tests, although there isn't written documentation
- Referring physicians are pleased with prompt scheduling, report turn around time, and also
- friendliness of staff
- Equipment is good

As a starting point, Dr. Hansen was pleased with her findings. But what she didn't know, is whether her beliefs were factual, such as:

- How did her referring doctors know if her tests were of high quality? She didn't really "toot" her horn or have any way to measure quality, accuracy, or correlation.
- As good as the sonographer is, Dr. Hansen was not sure if she was certified.
- How did she know if the referring physicians were satisfied? She never asked !! She relied on her office manager to tell her if there was a problem.
- While the equipment is in good shape, she wondered if she would lose her edge if she didn't update the technology.

This sketch shows good thought provoking questions that anyone who provides echocardiography services can relate to. In fact, it wasn't very long before Dr. Hansen and the author came up with a strategy to answer her questions about protecting her revenue stream. They reasoned, Given the evolving changes in the environment, four mechanisms should be in place.

- Ability to measure quality and patient and referring physician satisfaction
- Distinguish services from others
- Manage costs
- Be compliant with payers

Dr. Hansen will now take time to examine how to accomplish those four factors. She knows she will be building a campaign of pride, patient satisfaction, and measurable outcomes that also prepare her for future challenges. Dr. Hansen will also start looking at the value of accreditation and a strong quality assurance program. She will confirm her sonographer is certified and hang up her certificate in the office! A big question looming, in her mind is, does it make sense to invest in new technology such as 2nd harmonics, a stress echo bed, use of a contrast agent while looking to eliminate unnecessary expenses? Given the competitors in the area, she knows that better images and new or advanced procedures can give her an edge. In fact, she may be able to secure a contract with a payer, to be the exclusive provider and expert. They discussed how a budget would help her manage and plan for expenses, such as education costs; preparation for accreditation and associated agency fees; equipment upgrades, etc.

To ensure the practice is getting paid for all services, the author recommended an audit of CPT and ICD-9 billing codes for accuracy to ensure charges weren't being missed. In fact, since echo is such a visible procedure with payers, Dr. Hansen must be especially careful that her claims are compliant. One critical area to review: do the final report and the submitted claim

form correlate with each other? Also, Dr. Hansen recognizes that her staff must be involved in this process to succeed. Their pride of ownership, their skills and capabilities are very important.

It seems that Dr. Hansen is well on her way to controlling her echo business. She is using this reprieve year as a time to prepare for business opportunities and challenges. Most importantly, Dr. Hansen realizes that her echocardiography service has a great deal of value, and she can manage it even on a roller coaster!

