



Congress Passes Bill to Avert Reduction in Medicare Payment for Physicians

On December 19, 2007, Congress passed the Medicare, Medicaid and State Children's Health Insurance Program (SCHIP) Extension Act of 2007 (S. 2499) that delays the 10.1 percent reduction in the Medicare conversion factor used to calculate payment for services covered under the Part B Physician Fee Schedule (PFS) until at least July 1, 2008. One of the main provisions in Senate Bill 2499, which is expected to be signed into law by the President in the near future, replaces the scheduled 10.1 percent decrease with a temporary 0.5 percent increase in the conversion factor effective January 1, 2008.

The 0.5 percent increase will remain in place for at least six months. However, unless Congress takes further action to sustain it, the increase will expire on June 30, and the original 10.1 decrease will be implemented on July 1.

The conversion factor is just one element of the payment formula by which the Centers for Medicare & Medicaid Services (CMS) calculates reimbursement for many of the services provided by physicians and other eligible professionals. Although the 0.5 increase in the conversion factor may appear to be positive news, any assessment of changes in reimbursement in 2008 must also factor in changes in the other PFS formula components including the relative value units (RVUs), geographic adjustment factors, and budget neutrality factors as well.

Revisions to geographic adjustment factors and the addition of a budget neutrality factor will also influence the reimbursement calculation for 2008. CMS will publish the final 2008 Physician Fee Schedule by locality on its website at http://www.cms.hhs.gov/PhysicianFeeSched/01_Overview.asp.

Alteration to the Current Average Sales Price (ASP) Calculation

Another major provision of S. 2499 will change the way that CMS calculates the ASP for Medicare Part B covered drugs in 2008. When the bill is signed into law by the President, the revised calculation will affect reimbursement for drugs provided to Medicare patients on or after April 1, 2008. The creation of a revised ASP methodology appears to be in response to an Office of Inspector General (OIG) report published in February 2006. The revised calculation mandated by S. 2499 appears to closely follow the OIG's recommended method for calculating ASP and it will apply to both single-source and multi-source drugs that are covered by Medicare Part B.

Reimbursement for drugs covered by Medicare Part B that are administered in the physician-office setting will continue to be based on 106% of the revised ASP in 2008.

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