

BUDGET NEUTRALITY ADJUSTER

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In 2007, Medicare began using a budget neutrality factor to offset the increases that occurred when the AMA RUC substantially increased the relative value unit assignments for some codes. CMS under statute has a limit to the fiscal affects of relative value changes to the RBRVS. In past years that adjustment was applied to the conversion factor. In 2007 and 2008, a budget neutrality adjuster (BNA) was applied according to the following formula.

$$\text{Payment} = [(RVU \text{ work} \times GPCI \text{ work} \times \text{budget neutrality adjuster}) + (RVU \text{ practice expense} \times GPCI \text{ practice expense}) + (RVU \text{ malpractice} \times GPCI \text{ malpractice})] \times \text{conversion factor}$$

The BNA for 2007 was 0.8994 and for 2009 was 0.8806

Many of you may recall that this was tried 10 years ago and physicians hated it. This year, the AMA aggressively lobbied CMS to remove the BNA and was successful. It will be removed in the 2009 CMS physician fee schedule.

Because the BNA will be removed, the 2009 physician conversion factor will substantially decrease according to the formula below:

2008 conversion factor	\$38.0870
2009 conversion factor update per Congress	+1.10%
2009 conversion factor budget neutrality adjustment due to DRA impact	+0.08%
Budget neutrality required due to E & M increase	-6.41%
2009 conversion factor	\$36.0666

Despite the dramatic fall in the conversion factor, you should not see a payment decrease. Overall average physician services payments will increase 1.1% in 2009 and 2010 because of the actions of Congress this summer (Save Medicare Act of 2008).

Medicare payment methodology over the last four years has been more complicated than usual. Below is a summary of the changes to Medicare payment for 99203 (outside Seattle).

	<u>Year</u>	<u>Conversion Factor (\$)</u>	<u>work*</u>	<u>RVUs</u>		<u>GPCI**</u>			<u>Payment</u>
				<u>pract.</u>	<u>malp.</u>	<u>work</u>	<u>pract.</u>	<u>malp.</u>	
99203	2006	37.898	1.34	1.13	0.09	1.000	0.98	0.819	95.46
(non-facility)	2007	37.898	1.21	1.13	0.09	1.000	0.980	0.805	90.39
	2008	38.0870	1.18	1.11	0.09	0.987	0.976	0.755	88.21
	2009	36.067	1.34	1.12	0.09	1.000	0.974	0.693	89.92

* work units = RVUw * BNA. BNA for 2007 is 0.8994 and for 2008 is 0.8806

**rest of WA

Of course none of this affects anesthesia payments. We had a relatively large increase in 2007 - which is a primary culprit to all of the issues above - and been flat since.