

House approves Medicare payment changes

On Wednesday, August 1, the House of Representatives voted 225-204 to approve H.R. 3162, the Children's Health and Medicare Protection Act (CHAMP) of 2007. This legislation, which includes reauthorization of the State Children's Health Insurance Program (SCHIP), Medicare Advantage reforms and a tax increase on tobacco products, also includes provisions that eliminate the scheduled 9.9 percent Medicare physician payment reduction for 2008 and the 5 percent reduction for 2009. This bill will now proceed to a conference with the Senate version of the SCHIP bill. That bill does not now contain any provisions relative to Medicare physician payment. The differences between the two bills must be reconciled; then both the House and the Senate must approve a conference agreement before the legislation goes to the president for signature.

Medicare physician payment provisions

The legislation eliminates the scheduled negative 9.9 percent update for 2008 and the anticipated 5 percent negative update for 2009. It provides updates of positive 0.5 percent for each of those years. In 2008, it removes the costs of physician administered drugs from physician expenditure targets and classifies new coverage decisions as a change in law and regulation for accounting purposes. It replaces the sustainable growth rate (SGR) with six separate categories defined by types of service with their own target growth rates and extends both the physician scarcity area and the work geographic practice cost indices floor provisions for two years. It eliminates funding for the 2008 Physician Quality Reporting Initiative program and dedicates those funds to the physician payment account. In 2009, all physicians in areas with the lowest per capita Medicare spending will receive a 5 percent bonus. It also creates an expert panel outside the AMA's RUC process to independently review misvalued services.

Imaging provisions

It mandates that diagnostic imaging services must be performed in accredited facilities by Jan. 2, 2010 (ultrasound is delayed until Jan. 2, 2012). Included in this requirement are MRI, CT, PET, nuclear, x-rays, sonograms, ultrasounds, echocardiograms, and others. This does not apply to the professional component of services performed by a physician or to the technical component when the equipment meets certification standards. The legislation also includes the following imaging provisions:

- In computing PE RVUs, CMS will assume a 75 percent (rather than the current 50 percent) utilization rate.
- The TC reduction for imaging procedures performed in a single session on contiguous body parts will go from 25 percent to 50 percent.
- The assumed interest rate for capital purchases will reflect the prevailing rate in the market, but in no case be higher than 11 percent.
- Global billing will be eliminated.

Stark changes

In addition to the imaging provisions, the CHAMP Act will also phase out the federal self-referral prohibition ("Stark") exception that allows physicians to refer patients to hospitals in which they have an investment interest. Hospitals with provider agreements in effect as of July 24, 2007 would be allowed to continue operating under a "grandfather" clause, and those grandfathered hospitals will need to meet a number of requirements within 18 months of enactment of the Act.

These requirements include limiting total physician ownership to 40 percent, with no one physician owning more than a 2 percent interest, and a number of other requirements that mirror the antikickback safe harbor exception and the new Medicare inpatient prospective payment rules relating to disclosure of emergency service capabilities.