



PHYSICIAN FEE SCHEDULE UPDATE JULY 2015

The Medicare Access and CHIP Reauthorization Act of 2015, referred to as H.R. 2 or the 'doc fix' bill, makes numerous changes to Medicare, Medicaid, and other health care and related programs. The bill replaces the SGR formula with new systems for establishing the annual updates to payment rates for physicians' services in Medicare.

The bill also temporarily extends the Children's Health Insurance Program (CHIP) and a number of other expiring provisions related to Medicare, Medicaid, and certain grant programs. In addition, it makes a permanent subsidy of Part B premiums for certain low-income Medicare beneficiaries and the availability of up to one year of additional Medicaid benefits for certain low-income families who would otherwise lose such coverage.

H.R. 2 partially offsets the budgetary cost of those provisions largely by reducing updates to Medicare's payment rates for services furnished by hospitals and providers of post-acute care and by increasing premiums paid by Medicare enrollees who have relatively high income.

Medicare's Payments for Physicians' Services:

Under the previous law, Medicare's payment rates for services furnished by physicians were scheduled to be reduced by 21% on April 1, 2015. The passing of the doc fix bill (H.R. 2) froze payment rates at the current level for three months (April 2015 - June 2015) and then effective for dates of service starting July 1, 2015, increases the physician fee schedule by 0.5% for services furnished during the last six months of the calendar year 2015.

(NOTE: The 2% payment withheld is still in effect.)

Over the next several years, the bill replaces the SGR formula with new payment systems:

- For services paid under the physician fee schedule and furnished during calendar years 2016 through 2019, Medicare's payment rates will increase by 0.5 percent a year.
- Payment rates for services on the physician fee schedule will remain at the 2019 level through 2025, but, starting in 2019, the amounts paid to individual providers will be subject to adjustment through one of two mechanisms, depending on whether the physician chose to participate in an Alternative Payment Model (APM) program or the Merit-Based Incentive Payment System (MIPS).
- For 2026 and subsequent years, there will be two payment rates for services on the physician fee schedule. For providers paid through an APM program, payment rates will be increased each year by 0.75%. Payment rates for other providers will be increased each year by 0.25%.
- Providers who opted to participate in MIPS will receive payments that will be subject to positive or negative performance adjustment. The basic adjustments will be designed to be offsetting in aggregate, so that they will have no net effect on overall payments.
The performance adjustment for an individual provider will depend on that provider's performance compared to a threshold. In addition, H.R. 2 will provide \$500 million each year from 2019 to 2024 as an additional performance adjustment for providers in this program who achieved exceptional performance.
- From 2019 through 2024, providers receiving a substantial portion of their revenue from alternative payment models will receive a lump-sum payment after each year equal to 5% of their Medicare payments for services reimbursed according to the physician fee schedule in that year. Providers with smaller amounts of revenue from APMs will receive either no adjustment to their payments or the MIPS performance adjustment if they reported measures and activities under that program.

Resources:

Congress HR2: <https://www.congress.gov/114/bills/hr2/BILLS-114hr2ih.pdf>

CMS, Estimated Financial Effects of the Medicare Access and CHIP Reauthorization Act of 2015 (H.R. 2):
<http://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/2015-HR2.html>

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