

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



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MLN Matters® Number: MM7737

Related Change Request (CR) #: 7737

Related CR Release Date: January 20, 2012

Effective Date: January 1, 2012

Related CR Transmittal #: R10150TN

Implementation Date: No later than January 26, 2012

## Emergency Update to the CY 2012 Medicare Physician Fee Schedule Database (MPFSDB)

### Provider Types Affected

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Physicians, non-physician practitioners, and providers who bill Medicare contractors (Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), carriers or A/B Medicare Administrative Contractors (A/B MACs)) for services provided to Medicare beneficiaries are affected.

### What You Need to Know

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This article is based on Change Request (CR) 7737, which informs you that new Medicare Physician Fee Schedule (MPFS) payment files have been created and are available to Medicare contractors.

- Payment files were issued to Medicare contractors based upon the CY 2012 Medicare Physician Fee Schedule (MPFS) Final Rule, issued on November 1, 2011, and published in the "Federal Register" on November 28, 2011.

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- CR7737 amends those payment files to include corrections described in the CY 2012 MPFS Final Rule Correction Notice, as well as relevant statutory changes applicable January 1, 2012.

## Background

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### *Medicare Physician Fee Schedule Revisions and Updates*

Some physician work, practice expense, and malpractice Relative Value Units (RVUs) published in the CY 2012 MPFS Final Rule have been revised to align their values with the CY 2012 MPFS Final Rule policies. These changes are discussed in the CY 2012 MPFS Final Rule Correction Notice and revised RVU values are found in Addendum B and Addendum C of the CY 2012 MPFS Final Rule Correction Notice.

In addition to RVU revisions, changes have been made to some HCPCS code payment indicators in order to reflect the appropriate payment policy. Procedure status indicator changes will also be reflected in Addendum B and Addendum C of the CY 2012 MPFS Final Rule Correction Notice.

Other payment indicator changes will be included, along with the RVU and procedure status indicator changes, in the CY 2012 MPFS Final Rule Correction Notice public use data files, which are located at:

<http://www.cms.gov/PhysicianFeeSched/PFSRVF/list.asp#TopOfPage> on the CMS website.

Changes to the physician work RVUs and payment indicators can be found in the attachment associated with CR7737, which is cited in the Additional Information section below. Changes to practice expense RVUs are reflected in Addendum B and Addendum C of the CY 2012 MPFS Final Rule Correction Notice.

**Legislative changes subsequent to issuance of the CY 2012 MPFS Final Rule, specifically, the Temporary Payroll Tax Cut Continuation Act of 2011 (TPTCCA), have led to the further revision of the values published in the CY 2012 MPFS Final Rule Correction Notice, including a change to the conversion factor.** This new law prevents a scheduled payment cut for physicians and other practitioners who treat Medicare patients from taking effect immediately. While the negative update for the 2012 MPFS is now scheduled to take effect on March 1, 2012, the Administration remains strongly opposed to letting this cut take effect. The Centers for Medicare & Medicaid Services (CMS) will work quickly to update MPFS payment rates in the event Congress passes legislation to prevent the negative update from going into effect. Please be on the alert for more information about the 2012 physician update as it becomes available.

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**Temporary Payroll Tax Cut Continuation Act of 2011**

On December 23, 2011, President Obama signed into law the Temporary Payroll Tax Cut Continuation Act of 2011 (TPTCCA). This law contains a number of Medicare provisions, which extend current Medicare fee-for-service program policies, and, as previously mentioned, prevents a scheduled payment cut for physicians and other practitioners who treat Medicare patients from taking effect immediately. A summary of the TPTCCA provisions relevant to the MPFS payment files are provided below.

**Medicare Physician Payment Update**

Section 301 of the TPTCCA prevents a payment cut for physicians that would have taken effect on January 1, 2012. **An update of zero percent is effective for claims with dates of service January 1, 2012, through February 29, 2012.** While the physician fee schedule update will be zero percent, other changes to the relative value units used to calculate the fee schedule rates must be budget neutral. To make those changes budget neutral, the conversion factor must be adjusted for 2012. Therefore, the conversion factor will not be unchanged in CY 2012 from CY 2011. The revised conversion factor to be used for physician payment as of January 1, 2012, is \$34.0376. The calculation of the CY 2012 conversion factor is illustrated in the following table.

December 2011 Conversion Factor	TPTCCA of 2011 "Zero Percent Update"	CY 2012 RVU Budget Neutrality Adjustment	CY 2012 Conversion Factor thru 2/29/12
\$33.9764	0.0 percent (1.000)	0.2 percent (1.0018)	\$34.0376

The revised CY 2012 MPFS payment files will reflect this conversion factor through February 29, 2012.

**Extension of Medicare Physician Work Geographic Adjustment Floor**

Current law requires payment rates under the MPFS to be adjusted geographically to reflect area differences in the cost of practice. The following three components of the MPFS payment are adjusted: physician work, practice expense (PE), and malpractice expense. **Section 303 of the TPTCCA extends the existing 1.0 floor on the physician work geographic practice cost index through February 29, 2012.** This change is included in the revised CY 2012 MPFS payment files. Updated CY 2012 geographic practice cost indices (GPCI) are included in the attachment to CR7737. See the "Additional Information" section below for information on accessing CR7737.

**Extension of MPFS Mental Health Add-On**

For calendar year 2011, certain mental health services' payment rates continued to be increased by five percent over what they would otherwise be paid using the standard MPFS payment methodology. **Section 307 of the TPTCCA extends the five percent**

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**increase in payments for these mental health services through February 29, 2012.** This five percent increase is reflected in the revised CY 2012 MPFS payment files. The lists of Psychiatry Current Procedural Terminology (CPT) codes that represent the specified services subject to this payment policy are included in the attachment to CR7737.

### **Extension of Exceptions Process for Medicare Therapy Caps**

**Section 304 of the TPTCCA extends the exceptions process for outpatient therapy caps.** Outpatient therapy service providers may continue to submit claims with the KX modifier (Specific required documentation on file), when an exception is appropriate, for services furnished on or after January 1, 2012, through February 29, 2012.

The therapy caps are determined on a calendar year basis, so all patients begin a new cap year on January 1, 2012. For physical therapy and speech language pathology services combined, the limit on incurred expenses is \$1,880. For occupational therapy services, the limit is \$1,880. Deductible and coinsurance amounts applied to therapy services count toward the amount accrued before a cap is reached and also apply for services above the cap where the KX modifier is used.

### **Extension of Payment for the Technical Component (TC) of Certain Physician Pathology Services**

In the CY 2000 PFS Final Rule, published in the "Federal Register" on November 2, 1999, CMS finalized a policy to pay only the hospital for the TC of physician pathology services furnished to hospital patients. Under prior policy, independent laboratories continued to be paid for the TC of a pathology service provided to a hospital patient. At the request of the industry, to allow those independent laboratories that were separately paid for the TC of a physician pathology service provided to a hospital patient sufficient time to negotiate new arrangements with hospitals, the implementation of this rule was administratively delayed until 2001. Subsequent legislation formalized a moratorium on the implementation of the rule.

**Although the most recent extension of the moratorium expired at the end of 2011, section 305 of the TPTCCA restores the moratorium through February 29, 2012.** Therefore, those independent laboratories that are eligible may continue to submit claims to Medicare for the TC of physician pathology services furnished to patients of a hospital, regardless of the beneficiary's hospitalization status (inpatient or outpatient) on the date that the service was furnished. **This policy is effective for claims with dates of service on or after January 1, 2012, through February 29, 2012.**

### **Extension of the Minimum Payment for Bone Mass Measurement**

Section 3111(a) of the Affordable Care Act changed the payment calculation for dual-energy x-ray absorptiometry (DXA) services described CPT codes 77080 (Dual-energy X-ray absorptiometry (DXA), bone density study, 1 or more sites; axial skeleton (e.g., hips, pelvis, spine)) and 77082 (Dual-energy X-ray absorptiometry (DXA), bone density study, 1 or more

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sites; vertebral fracture assessment) for CYs 2010 and 2011. This provision required payment for these services at 70 percent of the product of the CY 2006 RVUs for these DXA codes, the CY 2006 conversion factor (CF), and the geographic adjustment for the relevant payment year. CMS provided for payment in CYs 2010 and 2011 under the Physician Fee Schedule (PFS) for CPT codes 77080 and 77082 at the specified rates. Because this provision did not include CY 2012, the CY 2012 PFS final rule with comment period listed resource-based, rather than imputed, RVUs for CPT codes 77080 and 77082. **However, Section 309 of the TPTCCA extended the Affordable Care Act minimum payment for bone mass measurement for the first two months of CY 2012. For claims with dates of service on or after January 1, 2012, through February 29, 2012, CPT codes 77080 and 77082 will be paid at 70 percent of the product of the CY 2006 RVUs, the CY 2006 CF, and the geographic adjustment for the CY 2012.** The revised CY 2012 work, PE, and malpractice RVUs for CPT codes 77080 and 77082 are shown below.

RVUs for DXA CPT Codes 77080 and 77082, January 1, 2012, through February 29, 2012							
CPT Code	Modifier	Work RVU	Fully Implemented Non-Facility PE RVU	Transitional Non-facility PE RVU	Fully Implemented Facility PE RVU	Transitional Facility PE RVU	Malpractice RVU
77080		0.23	2.50	2.50	N/A	N/A	0.14
77080	TC	0.00	2.42	2.42	N/A	N/A	0.13
77080	26	0.23	0.08	0.08	0.08	0.08	0.01
77082		0.13	0.63	0.63	N/A	N/A	0.05
77082	TC	0.00	0.58	0.58	N/A	N/A	0.04
77082	26	0.13	0.05	0.05	0.05	0.05	0.01

## Additional Information

The official instruction, CR 7737, issued to your FI, RHHI, carrier and A/B MAC regarding this change, may be viewed at <http://www.cms.gov/Transmittals/downloads/R1015OTN.pdf> on the CMS website.

If you have any questions, please contact your FI, RHHI, carrier or A/B MAC at their toll-free number, which may be found at <http://www.cms.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

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