Medicare 2003 Fee Schedule: Maintaining Practice Profitability

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Good News! Effective March 1, 2003, physicians will receive a 1.6 percent increase for the Medicare conversion factor instead of the 4.4 percent reduction that was originally projected in the 2003 Medicare Fee Schedule. While this reversal provides some much-needed financial relief, it is an opportunity to analyze how Medicare's 2003 reimbursements will impact your practice's revenue in the coming year.

By understanding exactly how much and for which services your revenue will change, you can revise how you do business and maintain your bottom line. Forecasting your 2003 revenues will help you manage your overhead wisely and ensure that your practice continues to be profitable. In these difficult times of diminishing insurance reimbursements, it's more important than ever to know where your revenue is coming from and what services are more profitable than others.

Novice analysts should conduct a global practice-wide study. Once you've determined the overall affect the new fee schedule will have on your practice at-large, then you can analyze the data by individual physicians within your practice. All you need to get started estimating your 2003 revenues are:

1 An EXCEL spreadsheet
2 Data from one basic report prepared by your practice management information system: 2002 Productivity Units by CPT Code-Total 2002 productivity for the practice to record unit volume of services by CPT.
3 Medicare Fee Schedules: 2003 Medicare Fee Schedule and 2002 Medicare Fee Schedule to enter last year's and this year's expected reimbursements.

Many practices in Allegheny County (with the exception of pediatrics and a few other specialties), have a Medicare patient base that comprises over 60 percent of their total units charged. If this demographic is representative of your practice, and since so many insurers are beginning to adopt the Medicare reimbursements as a basis for their own reimbursements, you should assume a 100 percent Medicare Charge Mix in your first rough estimate.

Create the EXCEL spreadsheet as shown on page 133:

√ Column A: From the Productivity Report, enter all CPT codes for services performed in 2002.
√ Column B: From the Productivity Report, enter associated volume units for each CPT code.
√ Column C: Enter Medicare's 2003 reimbursement amount.
√ Column D: Enter a formula multiplying Column A by Column B.
√ Column E: Enter Medicare's 2002 reimbursement amount.
√ Column F: Enter a formula multiplying Column F by Column B.

Then, total Columns C, D, E & F to calculate your estimated 2003 revenue. You can produce a more sophisticated and accurate analysis by capturing a charge mix

and payer reimbursement by CPT code, and expanding the EXCEL spreadsheet to reflect your true practice demographic.

Let's summarize what can be learned from this analysis:

For Dr. Doe's unique mix of services, the 4.4 percent 2003 Medicare conversion factor reduction translates into a 1.94 percent revenue reduction for her practice.

If in 2003 Dr. Doe maintains the same CPT code mix as she did in 2002, her 2003 revenue will decrease by 3.72 percent, resulting in a total dollar revenue reduction of $8,539.

At first glance, the financial outlook for Dr. Doe seems pretty grim. Maybe not...now that she has this level of detail about the characteristics of her practice, she can make informed decisions about how to improve her bottom line and so can you. All you need to do is:

Change the mix of services you provide. The 2003 Medicare reimbursement for four CPT codes has increased from the 2002 Medicare fee schedule.

Dr. Doe may be able to mitigate the impact of the service fee reductions by increasing referrals to her practice for EMGs and nerve conduction studies.

Code Correctly. Observe the distribution of units for Evaluation & Management (E & M) services by CPT code.

Dr. Doe may find it beneficial to compare her distribution against those of her peers in her geographic region. (Peer data is available from BESS, the CMS Part B Extract and Summary System). If she finds that she is selecting significantly lower level services than her peer group, Dr. Doe may benefit from a refresher course in choosing the appropriate level of service.

Many physicians have a tendency to under code E & M services, in the hope of avoiding a Medicare audit.

continued on page 134

JANE DOE, M. D. - REVENUE IMPACT - Medicare Reimbursement 2003 vs. 2002

CPT-4 Code	Description of Service	2002 Volume	2003 Medicare	2003 Revenue	2002 Medicare	2002 Revenue
E & M Office Visit						
99201	Office Visit - New Patient	-	$ 31.36	-	$ 32.48	$ -
99202	Office Visit - New Patient	9	56.19	506	58.80	529
99203	Office Visit - New Patient	22	83.33	1,833	87.88	1,933
99204	Office Visit - New Patient	9	118.98	1,071	125.18	1,127
99205	Office Visit - New Patient	-	152.08	-	159.48	-
99211	Office Visit - Established Pt	-	18.30	-	19.15	-
99212	Office Visit - Established Pt	73	32.64	2,383	34.49	2,518
99213	Office Visit - Established Pt	63	45.90	2,892	48.03	3,026
99214	Office Visit - Established Pt	-	71.80	-	75.48	-
99215	Office Visit - Established Pt	-	105.49	-	111.06	-
E & M Hospital Inpatient (2)						
99221	Initial Hospital Care	86	59.91	5,152	63.03	5,421
99222	Initial Hospital Care	265	99.46	26,357	104.75	27,759
99223	Initial Hospital Care	19	138.39	2,629	146.17	2,777
99231	Subsequent Hospital Care	3,912	29.82	116,656	31.54	123,384
99232	Subsequent Hospital Care	660	49.28	32,525	51.90	34,254
99233	Subsequent Hospital Care	19	70.03	1,331	73.96	1,405
99238	Hosp Discharge <= 30 min	236	62.86	14,835	64.10	15,128
99239	Hosp Discharge > 30 min	50	85.31	4,266	87.93	4,397
E & M Consultations						
99251	Initial Inpatient Consult	8	31.68	253	33.49	268
99252	Initial Inpatient Consult	19	63.69	1,210	67.32	1,279
99253	Initial Inpatient Consult	25	87.17	2,179	91.89	2,297
Medicine - EMG						
95860	EMG 1: Extremity	4	**86.24**	345	75.45	302
95861	EMG 2: Extremity	5	101.64	508	105.69	528
95870	EMG; Limited 1 est or axial muscl	3	25.35	76	26.53	80
Medicine - Nerve Conduction Studies						
95900	Nerve Conduction; Motor, w/o F	8	**51.15**	409	40.43	323
95903	Nerve Conduction; Motor, w/ F	24	**55.98**	1,344	39.75	954
95904	Nerve Conduction; Sensory	23	**42.96**	988	34.54	794
Medicine - Neurostimulators						
95970	Neurostim analysis; w/o reprog	2	21.66	43	23.00	46
95972	Neurostim Analysis; complx 1 hr	28	75.47	2,113	79.31	2,221
	TOTAL PAR FEE:		**$ 1,954**		**$ 1,993**	
	TOTAL ESTIMATED REVENUE:			**$ 221,904**		**$ 230,483**
	% REDUCTION		**-1.94%**	**-3.72%**		
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PRACTICE MANAGEMENT cont. from page 133

What they don't realize is the potential negative financial consequences this may have on their practice revenue. Every physician needs to ensure appropriate CPT coding in order to maximize his or her reimbursements.

In fact, Dr. Doe faced a similar challenge in early 2002 when the fee decrease from 2001 fees resulted in an estimated eight percent decrease in practice revenues. She attended a coding seminar sponsored by her specialty board and began to appropriately code her hospital visits. She had been constantly selecting a Level 1 subsequent daily visit instead of the appropriate Level 2 or Level 3 visit.

It's hard to believe that increasing referrals and correcting coding patterns could really make a difference in revenues. But by doing just that, Dr. Doe increased her total 2002 charges by 12 percent, and she was able to maintain her 2001 revenue levels in 2002 in spite of a significant Medicare cut.

So don't be discouraged by the sorry state of sliding Medicare reimbursements. Use the Medicare fee schedule information to your advantage. Take the time to understand your practice coding and reimbursement patterns at the CPT level by payer. With a little creativity and energy you can take control of your insurance revenue stream and maintain your earnings at the level you deserve, and thwart the effect of reduced reimbursements.

And it's always a good idea to let your U.S. Representatives and Senators know your viewpoint!

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