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**Most E/M Services Will Likely See Increases in 2007, but Overall Cuts Still a Threat**

According to *Part B News*, the majority of Evaluation and Management (E/M) Services will likely see significant increases in payment beginning in 2007. The change in values came at the end of an intense Five-Year Review Process—the congressionally mandated system that evaluates Medicare work Relative Value Units (RVU) and makes recommendations to the Centers for Medicare and Medicaid Services (CMS) for new and revised codes to reflect changes in medical practice and physician work.

Preliminary information published by *Part B News* suggests that the services that will likely see the biggest increases are in the family of Established Office Visits, particularly 99212 (\$38.66, par. national, physician work, current work RVU=0.45), 99213 (\$52.68, current work RVU=0.67), and 99214 (\$82.62, current work RVU=1.1). Changes in these codes will have profound implications on internal medicine practitioners and sub specialists.

The Endocrine Society has been closely involved with the Five-Year Review because endocrinologists commonly perform E/M services. The Society worked with a coalition representing 22 non-surgical specialties and internal medicine subspecialties to survey physician members. The coalition presented the aggregate survey data before the AMA Specialty Society Relative Value Update Committee (RUC), which is responsible for making final recommendations to send to CMS. The heart of the coalition's argument was that internal medicine practitioners are caring for patients who are sicker and harder to manage than patients ten years ago. Often, they suffer from one or more chronic diseases, and require intense disease and drug management. The coalition maintained that E/M work RVUs have been undervalued for as many as ten years. During this time, there have been numerous changes in not only health care services and delivery but also in the patient populations and disease/illness prevalence.

The Endocrine Society will inform its members of specific increases in work RVUs as soon as CMS releases its final decision.

Despite positive news regarding likely increases in payment for E/M services, CMS has confirmed that most physicians will again face an across-the-board 4.6 percent Medicare rate reduction in 2007. A flaw in the physician fee schedule sustainable growth rate (SGR) formula has resulted in projected physician payment cuts for the past several years. Congress has repeatedly stepped in at the eleventh hour to provide a temporary "fix"—averting cuts for the following year. Congress will likely enact a 2007 payment fix in a year-end omnibus bill rather than a stand-alone piece of legislation.

CMS argues that the negative payment update projected for 2007 is tied to certain diagnostic and therapeutic services, such as complex imaging services, more frequent and intense minor procedures, increases in physician-administered drugs, and an increase in patient follow-up visits.

There is agreement among many congressional representatives and staff that a permanent fix to the flawed payment formula must be pursued. At the end of 2005, Congress stepped in with a zero percent update for physicians, which is estimated to cost \$7.3 billion over five years. A similar payment freeze for 2007 over five years will cost \$10.8 billion, according to Congressional Budget Office estimates.

MedPAC has recommended replacing the flawed SGR formula with the more stable Medicare Economic Index (MEI) to annually calculate physician payment rates. However, even the cost of this substitution is rising – the ten-year cost calculated in 2006 is estimated to be \$218 billion (2005 estimates were \$155 billion over ten years). The overwhelming cost of these solutions has driven some members of Congress to examine physician pay-for-performance initiatives that could be tied to physician payment. House Ways and Means Committee Chair Bill Thomas (R-CA) was among congressional leaders who struck a deal in 2005 with the American Medical Association to push physicians to begin reporting quality measures in return for additional Medicare payments. Thomas is likely to initiate a pay-for-performance program before the end of the year.

### **Multiple Imaging Policy May Affect Diagnostic Imaging Services in Practice**

Physicians in practice will begin to feel the effects of a multiple imaging policy contained in the recently enacted Deficit Reduction Act of 2005 (S. 1932). The provision impacts physician members of The Endocrine Society who perform imaging services in their practices, such as Dual Energy X-ray Absorptiometry (DEXA) scanning or Ultrasound Imaging on the thyroid. The policy, which took effect in 2006, reduces payment for the technical components of a service when performed on a contiguous body part on the same day and in the same patient. The professional component reimbursement will not be cut. The “technical component” is the difference between the global service and the professional component amounts listed in the fee schedule, while the “professional component” involves physician work and allocation of the practice expense. This imaging provision first appeared in the Centers for Medicare and Medicaid Services (CMS) 2006 Physician Fee Schedule. The Congressional Budget Office estimates that the provision will save Congress nearly \$3 billion over a period of five years.

The provision also states that, beginning in 2007, the technical component of the physician fee schedule payments will be capped at the Hospital Outpatient Department rate from the geographic area in which the service is performed. This provision was not included in any CMS Proposed or Final Rules; furthermore, it had not even appeared in previous versions of the Deficit Reduction Act passed by the House or the Senate.

There exists some discrepancy in estimates of actual savings that will be rendered by these provisions. The non-partisan CMS Office of the Actuary estimates that the imaging provision will result in savings of just \$1.48 billion over five years (about half of the

congressional estimates), and just \$1.8 billion over ten years. According to CMS Actuary Rich Foster, the lower estimate could be more realistic because “under current law, the physician update will be negative through 2015 and the outpatient hospital payments will receive positive market basket. Therefore, [the CMS Actuary] estimate includes a reduced savings over time as the outpatient PPS payment moves toward the physician fee schedule technical component.”

This assessment could be positive news for physicians and health care professionals who run outpatient departments. However, several medical specialties that perform moderate to high levels of imaging insist that the new policy will result in much bigger cuts to physicians in private practice who own their own imaging equipment.

At the heart of the debate surrounding the new imaging policy is an overall concern in the medical community that Congress, in an attempt to find savings, enacted a policy at the eleventh hour that ties payments to a mechanism used in outpatient departments rather than the more inclusive process used to set physician payments by the American Medical Association Specialty Society Relative Value Update Committee (RUC). Although imaging services account for approximately 10 percent of Medicare physician reimbursements, the reductions resulting from this imaging provision account for more than 33 percent of the funds cut from Medicare in the Deficit Reduction Act.

#### **\$6 Billion to Shift from Defense to Domestic Programs**

According to the *National Journal*, House Appropriations Chairman Jerry Lewis (R-CA) is preparing to shift about \$6 billion from proposed defense and foreign aid increases into domestic spending programs, primarily health and education programs.

House leadership has been unable to advance a Fiscal Year (FY) 07 budget resolution due to increased concern from House moderates about the low level of funding for health and education programs in FY 07.

President Bush is proposing to increase defense spending by \$23 billion in FY 07. Chairman Lewis is considering cutting about \$4 billion of that increase and then trimming more than \$2 billion from foreign aid programs. It is thought that most of the defense cuts would be offset by supplemental spending later in the year.

A majority of the money saved by the defense cuts would be used to erase the \$4 billion in cuts proposed for programs funded under the FY 07 Labor/HHS/Ed measure. That would bring total spending in the measure to about where it was in FY 06 before Congress applied a one percent across-the-board cut at the end of last year.

#### **Medicare Trustees Release 2006 Status Report**

Each year the Trustees of the Social Security and Medicare trust funds report on the current status and projected condition of the funds over the next 75 years. The Trustees released their 2006 report on May 1. The overarching theme of the report is that Medicare faced significant solvency issues both in the near and long term. Most alarming, the report states, “We do not believe the currently projected long-run growth rates of Social Security and Medicare are sustainable under current financing arrangements.”

The report found that expenditures of Medicare's Hospital Insurance (HI) Trust Fund, the fund that pays hospital benefits, are projected to exceed taxes and other dedicated revenues in 2006, with annual cash flow deficits expected to continue and to grow rapidly after 2010 as baby boomers begin to retire. In addition, the Medicare Supplementary Medical Insurance (SMI) Trust Fund that pays for physician services and the new prescription drug benefit will require substantial increases over time in both general revenue financing and beneficiary premium charges. Underlying health care costs per enrollee are projected to rise faster than the wages per worker on which the payroll tax is paid and on which Social Security benefits are based. As a result, while Medicare's annual costs were 2.7 percent of Gross Domestic Product (GDP) in 2005, or over 60 percent of Social Security's, they are now projected to surpass Social Security expenditures in a little more than 20 years and reach 11 percent of GDP in 2080.

With regard to Part B of Medicare, the report found that the immediate outlook for Part B has also worsened somewhat due to higher-than-anticipated costs in 2004 and 2005 and a recently legislated increase in the physician fee schedule update for 2006. Even so, the projected Part B payments are unrealistically constrained because they must assume the sizeable annual reductions in this fee schedule in subsequent years mandated by current law—despite the fact that Congress overrode such reductions in each of the past four years and is highly likely to do so again in the future.

The conclusion of the report reminded readers of the grim outlook for the future of Medicare and Social Security as it states, “Both Social Security and Medicare are projected to be in poor fiscal shape, though Social Security poses a far more manageable problem—in analytic and dollar terms—than does Medicare. The fiscal problems of both programs are driven by inexorable demographics and, in the case of Medicare, inexorable health care cost inflation, and are not likely to be ameliorated by economic growth or mere tinkering with program financing.”

A copy of the complete report can be found at  
<http://www.ssa.gov/OACT/TRSUM/trsummary.html>

### **History of Gestational Diabetes Raises Lifelong Diabetes Risk in Mother and Child**

“It’s Never Too Early to Prevent Diabetes,” the latest diabetes prevention campaign message by the National Diabetes Education Program (NDEP) is spreading the word about the risk for type 2 diabetes faced by women with a history of gestational diabetes mellitus (GDM) and their offspring. On April 25 the NDEP joined Deputy Surgeon General, Kenneth P. Moritsugu and Griffin P. Rodgers, MD, acting director of the National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK), in Washington to announce this latest message in an ongoing national public awareness effort. The NDEP is jointly sponsored by the National Institutes of Health and the Centers for Disease Control and Prevention, agencies of the U.S. Department of Health and Human Services. The NDEP also receives support from more than 200 partner organizations, including The Endocrine Society.

“It’s Never Too Early to Prevent Diabetes” is the latest addition to NDEP’s campaign, “Small Steps. Big Rewards. Prevent type 2 Diabetes,” the nation’s first comprehensive

multicultural type 2 diabetes prevention campaign. The campaign offers materials that can help women with a history of GDM take steps to prevent or delay type 2 diabetes and help their children lower their risk for the disease. Available campaign materials include a tip sheet in English and Spanish for women who have had GDM, a tip sheet in English and Spanish for children at risk for type 2 diabetes, and a booklet for adults to help women and their families make healthy food choices and be more physically active to prevent or delay type 2 diabetes. These materials are available on the NDEP website at <http://www.ndep.nih.gov/>.

To read the full version of this *NIH News Release*, go online to: <http://www.nih.gov/news/pr/apr2006/niddk-25.htm>.

### **Growth Hormone in Adults Guideline Now Available**

The first clinical practice guideline from The Endocrine Society, *Evaluation and Treatment of Adult Growth Hormone Deficiency*, is currently available through the Society's Portal. To order the guideline visit: [http://www.endo-society.org/quickcontent/clinicalpractice/clinical-guidelines/GH\\_clinicalguideline.cfm](http://www.endo-society.org/quickcontent/clinicalpractice/clinical-guidelines/GH_clinicalguideline.cfm).

Look for the second guideline from The Endocrine Society, *Testosterone Therapy in Adult Men with Androgen Deficiency Syndromes*, to be available with the June issue of *Endocrine News*. To learn more about this and future guidelines coming soon from the Society, contact Lisa Marlow at [lmарlow@endo-society.org](mailto:lmарlow@endo-society.org).

For questions regarding articles listed in *Endocrine Insider* or information on advocacy and policy activities within The Endocrine Society, contact the Government & Professional Affairs department:

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