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Medicare Physician Fee Schedule Finalized

On Tuesday, December 1st, the Centers for Medicare and Medicaid Services (CMS) finalized the Medicare Physician Fee Schedule (MPFS), which will be implemented beginning January 1st of 2021. Due to the continued COVID-19 crisis, CMS delayed finalizing the MPFS an additional month, giving providers even less time to prepare for the impending changes. Broadly speaking, the major changes that have been made attempt to incentivize and reward evaluation and management (E&M) services, which, due to budget neutrality requirements, necessitated lowering the fee schedule's conversion factor from \$36.09 to \$32.41, or -10.2%. As a result, compensation for procedural care will be decreased while that of E&M services increases.

Naturally, advocates such as the American Medical Association (AMA) have pushed back against the Fee Schedule changes, arguing that the resulting pay reductions would only compound the financial hardships experienced by various health systems and medical groups already struggling as a result of COVID-19. According to AMA president, Susan R. Bailey, "these payment cuts could not come at a worse time," and the financial strain they cause could actually result in more difficulty for patients to receive the care they need. In response to these concerns, the Medicare Payment Advisory Commission (MedPac) claims the changes should actually improve access to care because they believe the past fee schedule overvalued most procedures while undervaluing E&M services. According to MedPac, "by substantially increasing the (relative value of) E&M office/outpatient visits, CMS will help remedy several years of passive devaluation of these services." The increased value placed on E&M services aligns with the broader priority of the Trump Administration to invest more in telehealth, which was naturally exacerbated during the COVID-19 crisis.

Despite CMS's commitment to shifting the relative value of certain services provided, a new bill ([HB 8505](#)) is being proposed in Congress which advocates a 1-year exemption to the Physician Fee Schedule's budget neutrality requirement. This neutrality requirement is the reason the conversion factor, and by extension various fee reimbursement rates, must be lowered to counterbalance the increase in rates paid for E&M services. This exemption would not be a permanent solution to the concerns raised by the AMA, but it would postpone the blow long enough for more negotiations to take place or, at the very least, to hopefully move past the COVID-19 crisis and alleviate that additional financial strain. This bill suggests that unused money from the CARES Act and the Payment Protection Program and Health Care Enhancement Act be used to cover the additional cost of foregoing the cuts that would have been imposed by the Schedule's budget neutrality requirement.

The scope and severity of the impact these Fee Schedule changes will have on your practice will vary from one provider to the next. Please contact your Practice Manager for specific questions regarding how your practice will be affected. As always, APS will continue to monitor any developments that will affect your practice.