

ASCO PracticeNET Analysis of the Medicare Physician Fee Schedule Final Rule

As Updated by the Consolidated Appropriations Act, 2021

January 6, 2021

Introduction: In December, 2020, the Centers for Medicare & Medicaid Services (CMS) released the annual Medicare Physician Fee Schedule (MPFS) final rule, effective January 1, 2021. Some provisions of the rule were since impacted by the Consolidated Appropriations Act, 2021, signed into law on December 27, 2020. While a formal correction notice from CMS is expected in the coming weeks, they have published data necessary for calculating the impact of MPFS changes on oncology physicians and practices in 2021.

Methods: ASCO has utilized billing and reimbursement data from its PracticeNET network of oncology practices and cancer centers to analyze the impact of the MFN rule on varying practice types. Twenty-eight (28) independent physician and hospital-based practices are included in this analysis, representing \$924 million in Medicare allowable payments. PracticeNET practices include multiple oncology specialties, span 20 states, range in size from 4 to 110 oncologists, and include both urban and rural private practices, 340B-qualified hospitals and non-340B-qualified hospitals. Critical Access Hospitals and PPS-Exempt Cancer Hospitals were excluded from the analysis as they are not included as MFN participants under the rule.

Medicare allowable units were calculated for the period of July 2019 to June 2020 dates of service. Practice-specific rates for 2020 and 2021 were calculated using CMS-published relative value units (RVU), Geographic Practice Cost Indices (GPCI), and Conversion Factor. We did not apply the impact of sequestration to either current or proposed rates.

We also performed an alternative analysis using CMS-published utilization files to confirm our estimates from the PracticeNET model. Estimates from these two models were within 2% for oncology specialties.

Changes to Relative Value Units and Payment Rates under the Medicare Physician Fee Schedule Final Rule

Conversion Factor. Each year, and as necessary, CMS calculates a Conversion Factor, which is applied to each service’s RVUs and geographic adjustments to calculate locality-specific reimbursement rates. The 2021 conversion factor decreased 3.3% from the 2020 rate as impacted by budget neutrality adjustments and the Consolidated Appropriations Act, 2021.

Evaluation & Management Visits. Over the past two years, the American Medical Association (AMA) and other medical societies have worked to redefine E&M codes for office/outpatient Evaluation & Management (E&M) visits, now allowing for code selection based on medical decision making or total time spent on the day of visit. Along with redefining the codes, the AMA RVS Update Committee has recommended new work RVUs for each code. CMS has accepted the updated codes and RVUs in the MPFS, effective January 1, 2021.

Prolonged Evaluation & Management Visits. CMS added code G2212, to represent a prolonged E&M visit with total time of 15 minutes beyond the times specified for codes 99205 and 99215. CMS projected that G2212 would be added to 8.9% of such visits by oncologists. We have included that assumption in our PracticeNET model.

Geographic Practice Cost Indices. In 2019, CMS published revised GPICs for each state and locality. The revised GPICs are implemented over a two-year transition period in calendar years 2020 and 2021. GPICs are used to calculate locality-specific payment rates and the new values may increase or decrease reimbursement for each practice subject to the MPFS.

| | 2020 wRVU | 2021 wRVU |
|-------|--------------|--------------|
| 99201 | 0.48 | N/A |
| 99202 | 0.93 | 0.93 |
| 99203 | 1.42 | 1.60 |
| 99204 | 2.43 | 2.60 |
| 99205 | 3.17 | 3.50 |
| 99211 | 0.18 | 0.18 |
| 99212 | 0.48 | 0.70 |
| 99213 | 0.97 | 1.30 |
| 99214 | 1.50 | 1.92 |
| 99215 | 2.11 | 2.80 |
| G2212 | N/A | 0.61 |

Table 1. wRVUs specified in the MPFS final rule

Results: Due to the congressional increase of 3.75% and impact of budget neutrality adjustments, the 2021 Conversion Factor is 34.8931, a 3.3% decrease from the 2020 Conversion Factor of 36.0896 (Table 2).

| | |
|--------------------------|---------|
| 2020 Conversion Factor | 36.0896 |
| Budget Neutrality Factor | -6.81% |
| Congressional Update | 3.75% |
| 2021 Conversion Factor | 34.8931 |

Table 2. Calculation of 2021 MPFS Conversion Factor

Based on changes to the Conversion Factor, updates to E&M RVUs, and other

updates, we project that oncology practices will experience MPFS payment rate increases for hematology/oncology (12%), radiation oncology (2.1%), surgical oncology (1.7%), and gynecologic oncology (5.3%) for 2021 (Table 3).

Along with payment increases in 2021, oncology physicians will see significant increases in the work RVUs assigned to performed services. Along with determining payment rates under MPFS, work RVUs are often used in productivity metrics, compensation formulas, and to calculate payment rates in private payer contracts. We project that oncology specialties will experience increases in work RVUs for hematology/oncology (20%), radiation oncology (2.1%), surgical oncology (4.5%), and gynecologic oncology (8.2%, Table 3).

| | Increase in work RVUs | Increase in MPFS Rates |
|----------------------|-----------------------|------------------------|
| Hematology/Oncology | 20% | 12% |
| Radiation Oncology | 2.1% | 2.1% |
| Surgical Oncology | 4.5% | 1.7% |
| Gynecologic Oncology | 8.2% | 5.3% |

Table 3. Impact of 2021 MPFS on work RVUs and payment rates for oncology specialties

| | Increase in MPFS Rates |
|-------------------------|------------------------|
| Drug Administration | 3.1% |
| Evaluation & Management | 18% |
| Imaging Services | -0.6% |
| Other Procedures | 2.0% |

Table 4. Impact of 2021 MPFS by service category for hematology/oncology

Within hematology/oncology, we expect that the majority of increase will be experienced for E&M services (18%), driven by the revaluing of new and established patient office and outpatient E&M services, but will also receive increases in drug administration services (3.1%) and procedures (2.0%), while imaging services will experience a decrease of 0.6% (Table 4).

Among practice types, we expect that MPFS increases for hematology/oncology will be varied between hospital-based practices (19%), who are

reimbursed for physician services under MPFS and facility services under the Outpatient Prospective Payment System, as compared to physician-based practices (9%) who are paid for most services and procedures under MPFS.

Conclusion: The MPFS will have a varied impact on practices, ranging from an increase of 3.8% to 27%. Differences in impact are based on practice type, specialty mix, service mix, and geographic location (Figure 1). Some of this increase will be temporary, however, as the 3.75% Congressional update to the 2021 conversion factor applies only to calendar year 2021 and will be reversed on January 1, 2022.

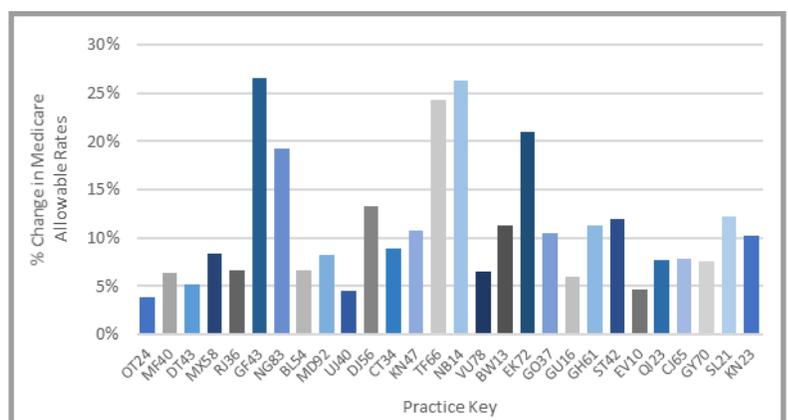


Figure 1. Oncology practice-specific impact of the MPFS final rule, modified by the Consolidated Appropriations Act, 2021, for non-drug services