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Reduced MRI Payments are Impacting Private Practices

On January 1st CMS cut reimbursement for both upper extremity (73721) and lower extremity (73221) MRI services. This reduction affected the Technical Component (TC) of these codes on the Medicare Physician Fee Schedule (MPFS). The following illustrates the change in reimbursement for these codes according to Medicare's national average:

CPT	Description	2012 Medicare	2013 Medicare	% Change
73721-TC	MRI jnt lwr extremity w/o dye	$398.58	$215.37	**46%**
73721-26	MRI jnt lwr extremity w/o dye	$67.05	$66.69	**1%**
73721 Global	MRI jnt lwr extremity w/o dye	$465.63	$282.05	**39%**
73221-TC	MRI jnt upr extremity w/o dye	$388.37	$215.37	**45%**
73221-26	MRI jnt upr extremity w/o dye	$67.05	$66.69	**1%**
73221 Global	MRI jnt upr extremity w/o dye	$455.42	$282.05	**38%**

This reduction is due to 3 policy changes:

1. New Scan Time for These MRI Codes
2. The Fourth Transition Year to the AMA's Physician Practice Information Survey Data (PPIS)
3. Changes in Interest Rate Calculations

The new scan time factor has the biggest affect on reimbursement, as it greatly impacted the equipment cost aspect of RVU's. For determining RVUs in 2013, CMS reduced the scan time for these procedures from 63 minutes, down to 33. CMS made this reduction by narrowing the definition of when a machine is totally occupied; disallowing other aspects that affected appointment time (i.e. allowing time for the patient to dress). CMS released its proposed fee schedules last July, but cuts due to this change were not seen, as RVU changes are not released until the final rule, in November. According to CMS policy, final rules are interim for one year and subject to comment or possible change. The 60 day period for these comments has closed and industry experts are quoted as saying it is unlikely that CMS will be compelled to change their view.

Changes in the interest rate calculations was the next largest factor; reducing payments by 5-10%. In 2013, CMS suggested a sliding scale interest rate methodology, which it based on the Small Business Administration. This methodology accounts for the prime rate, loan duration, procedure cost and equipment cost. The interest rate had previously been set by assumption at 11% and is now between 5.5-8%.

These decreases in payment are greatly affecting the bottom lines of private practices, who are the only providers hit with these reductions. Hospitals and hospital affiliated outpatient imaging centers were unaffected, as they are reimbursed off of the Hospital Outpatient Prospective Payment System (HOPS). Privately held imaging centers are paid according to the MPFS and are subject to these reductions.

With the continued expansion of the Multiple Procedure Payment Reduction (MPPR) to the professional component of advanced radiological services and looming cuts (2014) called for in the Taxpayer Relief Act, calling for an increased assumption rate for CT and MRI to 90% from 75%; private radiology groups everywhere are concerned. Unless the price of new technology decreases, it will be near impossible for private practices to offer state of the art technology; since volumes are increasing and revenue continues to decrease. APS will continue to monitor this and other issues that affect your revenue.