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Physician fee-schedule changes could upend compensation, experts say

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Providers should evaluate their operations and compensation plans to get ready for CMS' looming 2021 physician fee schedule, experts said.

The **proposed rule** would lower the fee schedule's conversion factor from \$36.09 to \$32.26, a decrease of \$3.83 or 10.6%. It would also make several changes to evaluation and management services and codes, including increases in their relative value and changes to coding criteria.

Those moves would probably help clinicians that deliver a lot of those services, but proceduralists will see their revenues decline if CMS doesn't make significant changes in its final rule.

The proposed changes are budget neutral for the Medicare program. But some health systems and medical groups could suffer financially if their revenues decline and compensation costs rise at the same time.

"It's putting us in a really precarious situation," HSHS Medical Group CEO Melinda Clark said.

It's tough for providers to predict how all the changes to primary and specialty care payments will shake out when nobody knows how the coronavirus outbreak will affect their practices over the next two quarters, said Dr. James Bock, chief physician executive at HSHS Medical Group.

That makes it "almost impossible" for medical groups to budget in the short- or intermediate-term, he said.

CMS pushed back its final physician fee schedule by a month to tackle urgent problems caused by COVID-19—the agency will make it available this week. The rule should take effect on Jan. 1, giving providers just a month to respond. That could be a challenge for healthcare executives during a busy and complicated holiday season, especially when many provider groups are short-staffed thanks to pandemic-induced financial challenges.

"We've got fewer people to do all these extra backroom calculations to figure out how we're going to deal with it," Bock said.

Organizations with employed physicians could see their compensation costs rise if they use the 2021 weights because most employed physicians get paid based on their median Work Relative Value Unit—or RVU. Those will go up for all physicians under the physician fee schedule. But because the conversion factor would decrease by nearly \$4, health systems could lose millions in revenue.

"You could be in a situation where your reimbursement actually goes backward, depending on the mix that you have," AMGA Consulting President Fred Horton said.

Many health systems plan to pay employed physicians based on the 2020 physician fee schedule and bill on the 2021 schedule to avoid huge swings in physician compensation, experts said. But that could anger cognitive-based specialists if they don't benefit from federal policy changes designed to increase their earnings. It's a difficult "judgment call" for hospital executives, Horton said.

CMS predicted the proposed changes to the physician fee schedule would be budget neutral. But it assumed there wouldn't be any changes in physician's coding practices, even though it would be easier for physicians to upcode lawfully because of new coding and documentation rules.

Without changes in physicians' coding practices, some organizations could pay millions more in physician compensation if they use the same methodology with the new CMS weights.

"The numbers get real, fast," Horton said.

Providers also worry about how other payers will respond to CMS' changes to Medicare's physician fee schedule. Insurers often change how they weight **CPT codes** based on changes to Medicare's physician fee schedule. If commercial insurers follow Medicare's lead, medical groups could experience huge revenue swings and imbalances. It could be "an accounting nightmare" for medical groups if some insurers pay based on the physician fee schedule, while others don't, HSHS' Melinda Clark said.

Horton recommended health systems with employed providers include some financial risk for physicians in their compensation plans to engage providers and guard against sizable shifts in revenue.

Health systems that work with independent providers should reach out to them to ensure they know about and understand how the changes could affect them.

"I don't think it's top of mind for everybody," Horton said.

The lower conversion factor could hit physicians in independent practices especially hard because their compensation usually isn't tied to changes in RVUs, according to Dr. Terry McWilliams, director and chief clinical consultant at HSG Advisors. He said independent physicians probably wouldn't make up those losses through Medicare's Quality Payment Program, no matter their pathway.

"They're going to get paid less for the same amount of work," McWilliams said.

HSHS' Bock said primary care providers could be caught off-guard if they don't realize the reduced conversion factor partially offsets the increased RVUs for evaluation and management codes.

"It's setting up a lot of physicians for disappointment. They're expecting a lot more revenue from this than CMS is actually going to deliver," he said.

And if the coronavirus outbreak continues to cause people to use fewer healthcare services, it could be more difficult for providers to recover lost revenue. Physician groups might be more likely to **sell their practices to larger health systems** as the **financial pressures of lower utilization and reimbursement mount**.

"CMS' heart is in the right place" because it's trying to improve care coordination and management, McWilliams said. But it's making too many changes at once given the pandemic and shortened timeline.

Providers should "prepare for the worst and hope for the best," McWilliams said.



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