

ACC NEWS



President's Page: Practice Expenses, the Next Target for Reductions in Medicare Reimbursement

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I am writing this page to make you aware of some very important events that may have a profound effect on your total Medicare reimbursements in the near future: the institution of resource-based practice expenses. You will recall that when the resource-based relative value scale (RBRVS) was developed by researchers at Harvard University, a large effort went into establishing a resource-based work value for all of the many procedures and other activities that physicians perform. This was a monumental task, and there have been many revisions since the system was put into place in 1992 to make the RVUs more equitable. Your College has been actively involved in this process from the outset and has been, in my judgment, quite effective in preserving reasonable reimbursement for cardiologists and cardiovascular surgeons. Despite these efforts, there has been an enormous reduction in reimbursement for all specialty services while the stated aim of this process of increasing reimbursement for evaluation and management of services has not been met.

You will also recall that the transition to a resource-based work value system, which began in 1992, was phased in over five years, and the last year of this phase-in began this January. I have already received calls from members of the College who were appalled by the new large reductions that came into effect on January 1, 1996. When the RBRVS was developed, a similar effort was not carried out to determine the practice expense component for each fee because cost data were not available. For this reason, the practice expense component of each fee was established on the basis of historical charge data. The Congress has now mandated the development and implementation of a resource-

based practice expense relative value system by January 1, 1998 in response to the recommendation of their own technical advisors, the Physician Payment Review Commission (PPRC). The commission's review of this subject has convinced them that historical charge-based practice expenses result in skewed payments for various services. Many of you may not realize that nearly half of the average cardiologist's fee is made up by the practice expense component. Thus, any large reduction in the practice expense will have a profound effect on total reimbursement. It has been estimated that a shift to a resource-based practice expense component could result in an overall reduction in total Medicare reimbursement for cardiologists and cardiovascular surgeons of up to 10% and 21%, respectively. These additional reductions in reimbursement for procedure-oriented specialists may prove to be of the same magnitude as the cumulative reductions in reimbursement that have already been experienced by these groups.

Since the impact of a resource-based practice expense component of the Medicare fee schedule will almost certainly have a major effect on all specialty practices, the College is making a major effort to influence the process. The Health Care Financing Administration (HCFA) has hired a consultant to carry out a survey to determine practice expenses for various services. Dr. Anthony N. DeMaria, a past president of the College and Chair of the Economics of Health Care Delivery Committee, is heading our efforts in this area. He has been appointed to the Clinical Practice/Expert Panel-Technical Expert Group that will advise the consultants on this project. In addition, the College, in cooperation with our sister societies—the American Society of Echocardiography, the American Society of Nuclear Cardiology, The North American Society of Pacing and Electrophysiology and the Society of Cardiac Angiography and Interventions—has hired an independent con-

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sulting group to help us gather additional practice expense data from specialty practices, which we believe will be accepted both by HCFA and their consultants in developing the data base on which the practice expense component of each fee will be based.

The College is working to mitigate the potentially enormous

consequences of a resource-based practice cost relative value system. Although an outright elimination or even a delay in the implementation of the system seems unlikely at this time, there is the potential for adjustments and a transition period from current to revised values, as was part of the work value portion of the fee schedule. This is a major goal for the year ahead.