CMS Changes: Insights from the Field – Pracitcal Implications of the 2021 PFS Changes

In 2020, as part of the annual budget balancing efforts, CMS outlined proposed changes to the Physician Fee Schedule (PFS) and Worked Relative Value Units (WRVUs). Many healthcare organizations began their planning efforts by assuming the federal government would step in and remove these changes.

The potential growth in compensation expense without a proportional revenue increase creates discussion points for organizations, including fair market value ("FMV"), commercial reasonableness and economic sustainability. These changes will also require additional attention to provider alignment while further expanding ambulatory service strategies, along with coding and compliance accuracy and education.

In the December 27th Consolidated Appropriations Act approved by Congress, there were significant conversion factor improvements which:

- Provided a 3.75% increase in PFS payments for CY 2021 (compared to the original proposal)
- Suspended the 2% payment adjustment (sequestration) through March 31, 2021 which was subsequently extended
- Reinstated the 1.0 floor on the work Geographic Practice Cost Index through CY 2023
- Delayed implementation of the E&M add-on code G2211 until CY 2024

All other anticipated payment, coding, and documentation changes for 2021 have been implemented as proposed. As a result, many organizations have experienced an increase in provider compensation plan expense, with a much lower potential revenue increase. This largely depends on the mix of clinical and procedural codes. The implications of these changes (intentional or not) have a far reaching impact on organizations, especially those with a high percentage of WRVU based compensation plans, or high clinic-based code mix.

Evaluation and Management (E&M) Codes have continued to experience significant overhaul throughout 2021. For example, there have been material changes in the coding, documentation, and payment of these services. For physicians that utilize E&M codes regularly, the results have been seen higher work RVU production particularly for providers that have a large panel of established patients.

HCPCS Code	2020 Work RVU	2021 Work RVU	wRVU Change	wRVU % Change	2020 Minutes Per Visit	2021 Minutes Per Visit
99201	0.48	Eliminated			17	Eliminated
99202	0.93	0.93	0	0%	22	20
99203	1.42	1.6	0.18	13%	29	35
99204	2.43	2.6	0.17	7%	45	60
99205	3.17	3.5	0.33	10%	67	88
99211	0.18	0.18	0	0%	7	7
99212	0.48	0.7	0.22	46%	16	16
99213	0.97	1.3	0.33	34%	23	30
99214	1.5	1.92	0.42	28%	40	47
99215	2.11	2.8	0.69	33%	55	70

Previously, time for E&Ms was narrowly defined as how long providers spent in face-to-face activities with the patient and/or family, but effective Jan. 1, 2021, it included non-face-to-face work on the day of the encounter.

CMS also introduced code G2212 to describe a 15-minute prolonged service (with or without direct patient contact) beyond the maximum total time for codes 99205 or 99215.

A summary of the specialties impacted by the changes are referenced below:

Specialty	Median wRVU[1]	Projected wRVU Impact[2]	Projected wRVU Impact @ Median
Allergy/Immunology	4,327	17%	739
Cardiology – EP	10,880	4%	473
Cardiology – Invasive, Interventional	9,582	5%	523
Cardiology – Non-Invasive	7,671	8%	581
Dermatology	6,992	12%	831
Emergency	6,877	6%	422
Endocrinology	4,327	20%	868
Family Medicine	4,922	22%	1,067
Gastroenterology	7,748	5%	356
General Surgery	6,556	2%	157
Geriatrics	3,215	3%	112
Hematology Oncology	4,499	18%	812
Hospitalist	4,280	0%	16
Infectious Disease	4,849	3%	144
Internal Medicine	4,776	18%	871
Neurology	4,673	11%	497
OB/GYN	6,701	9%	588
Orthopedics	8,245	5%	440
Otorhinolaryngology (ENT)	6,934	10%	684
Pediatrics (General)	5,078	14%	688
Physiatry (PM&R)	4,678	9%	412
Psychiatry (General)	3,824	12%	440
Pulmonology	6,002	7%	438
Radiation Oncology	9,270	2%	184
Rheumatology	4,496	21%	937
Urgent Care	4,688	26%	1,213
Urology	7,443	9%	665

[1] National median benchmarks
[2] National WRVU distribution

How do the 2021 CMS changes affect payments?

Although most providers will see an increase in their total wRVU production, there was a net reduction in payment per RVU (conversion factor) in 2021. The conversion factor was reduced from $36.09 in 2020 to $34.89 in 2021, a reduction of -3.3%.

This reduced conversion factor is applied to all CPTs, resulting in a revenue reduction for most surgical procedures, radiology, and diagnostic testing. Despite these reductions, the net result for most specialties is a revenue increase, due in large part to the significant increases in E&M reimbursement.

The notable exception would be for providers who exclusively practice hospital-based medicine, who generally would not benefit from the increase in RVU for outpatient E&Ms and would be subject to reimbursement reductions on most of their other CPT codes as well. A few of the highlighted specialties include:

Specialty	Projected wRVU Impact[1]	Projected Revenue Impact[2]
Allergy/Immunology	17%	9%
Cardiology - EP	4%	2%
Cardiology - Invasive, Interventional	5%	2%
Cardiology – Non-Invasive	8%	3%
Dermatology	12%	6%
Emergency	6%	3%
Endocrinology	20%	13%
Family Medicine	22%	14%
Gastroenterology	5%	5%
General Surgery	2%	1%
Geriatrics	3%	1%
Hematology Oncology	18%	11%
Hospitalist	0%	-2%
Infectious Disease	3%	0%
Internal Medicine	18%	12%
Neurology	11%	6%
OB/GYN	9%	6%
Orthopedics	5%	2%
Otorhinolaryngology (ENT)	10%	5%
Pediatrics (General)	14%	9%
Physiatry (PM&R)	9%	5%
Psychiatry (General)	12%	8%
Pulmonology	7%	3%
Radiation Oncology	2%	0%
Rheumatology	21%	13%
Urgent Care	26%	16%
Urology	9%	6%

As Pinnacle evaluated the changes to wRVUs and reimbursement, it became apparent that there are also specific codes that drive a significant ratio of the financial impact, as outlined below.

Impact to Emergency Department E&M Codes

CPT	Description	2020 wRVU	2021 wRVU	% Change	2020 Payment	2021 Payment	% Change
99283	Emergency department visit, moderate complexity, problem focused history and exam.	1.42	1.6	13%	$66.40	$72.93	10%
99284	Emergency department visit, moderate complexity, detailed history and examination.	2.6	2.74	5%	$121.98	$123.87	2%
99285	Emergency department visit, high complexity.	3.8	4.0	5%	$177.20	$180.75	2%

Also notable is that while some E&M visits in the ED were given increased wRVU values, other hospital-based care such observations (99217-99220), initial hospital care (99211-99226), and subsequent hospital care (99231-99233) did not experience an increase in RVU value, leading to a slight increase in wRVU for Hospitalists, yet with relatively no change in reimbursement due to the reduction in the conversion factor.

Impact to Telemedicine Codes

CPT	Description	2020 wRVU	2021 wRVU	% Change	2020 Payment	2021 Payment	% Change
99441	Telephone E&M service, 5-10 minutes.	.25	.7	180%	$14.44	$56.88	294%
99442	Telephone E&M service, 11-20 minutes.	.5	1.3	160%	$28.15	$92.82	230%
99443	Telephone E&M service, 21-30 minutes.	.75	1.92	156%	$41.14	$131.55	220%

Nearly all specialties that utilize outpatient E&Ms should expect to see an increase in total wRVUs for each provider if their historical production remains constant. Only a limited number of codes experienced wRVU reductions, but there were a notable few that were reduced, including knee, hip, and shoulder arthroplasty for Orthopedists and TTEs and Holter monitoring for Cardiologists.

Select Codes with Reduced wRVU in 2020

CPT	Description	2020 wRVU	2021 wRVU	% Change	2020 Payment	2021 Payment	% Change
11970	Replace tissue expander	8.01	7.49	-6%	$635.90	$575.39	-10%
19307	Mast mod rad	18.23	17.99	-1%	$1,262.41	$1,221.61	-3%
19325	Enlarge breast with implant	8.64	8.12	-6%	$674.51	$628.77	-7%
19340	Immediate breast prosthesis	13.99	10.48	-25%	$1,031.44	$775.67	-25%
19342	Delayed breast prosthesis	12.63	10.48	-17%	$966.48	$780.21	-19%
19357	Breast reconstruction	18.5	14.84	-20%	$1,565.21	$1,193.34	-24%
19371	Removal of breast capsule	10.62	9.98	-6%	$821.40	$729.96	-11%
27130	Total hip arthroplasty	20.72	19.6	-5%	$1,415.07	$1,322.45	-7%
27447	Total knee arthroplasty	20.72	19.6	-5%	$1,413.27	$1,320.70	-7%
28820	Amputation of toe	5.82	3.51	-40%	$581.40	$317.88	-45%
28825	Partial amputation of toe	5.37	3.41	-36%	$555.78	$311.25	-44%
29822	Shoulder arthroscopy/surgery	7.6	7.03	-7%	$600.17	$559.34	-7%
29823	Shoulder arthroscopy/surgery	8.36	7.98	-5%	$653.22	$611.68	-6%
33990	Insert vad artery access	7.9	6.75	-15%	$444.62	$368.47	-17%
33991	Insert vad art&vein access	11.63	8.84	-24%	$652.50	$481.18	-26%
33992	Remove vad different session	3.75	3.55	-5%	$208.60	$191.56	-8%
33993	Reposition vad diff session	3.26	3.1	-5%	$181.89	$168.53	-7%
71250	Ct thorax w/o dye	1.16	1.08	-7%	$160.60	$145.85	-9%
71260	Ct thorax w/dye	1.24	1.16	-6%	$199.21	$184.58	-7%
71270	Ct thorax w/o & w/dye	1.38	1.25	-9%	$235.67	$218.78	-7%
76513	Echo exam of eye water bath	0.66	0.6	-9%	$101.41	$79.91	-21%
91200	Liver elastography	0.27	0.21	-22%	$37.89	$32.80	-13%
92228	Remote retinal imaging mgmt	0.37	0.32	-14%	$34.65	$31.05	-10%
93224	Ecg monit/reprt up to 48 hrs	0.52	0.39	-25%	$89.86	$80.60	-10%
93227	Ecg monit/reprt up to 48 hrs	0.52	0.39	-25%	$27.07	$18.84	-30%
93306	Tte w/doppler complete	1.5	1.46	-3%	$211.49	$207.96	-2%
93750	Interrogation vad in person	0.92	0.75	-18%	$59.19	$50.25	-15%
94060	Evaluation of wheezing	0.27	0.22	-19%	$60.27	$47.11	-22%

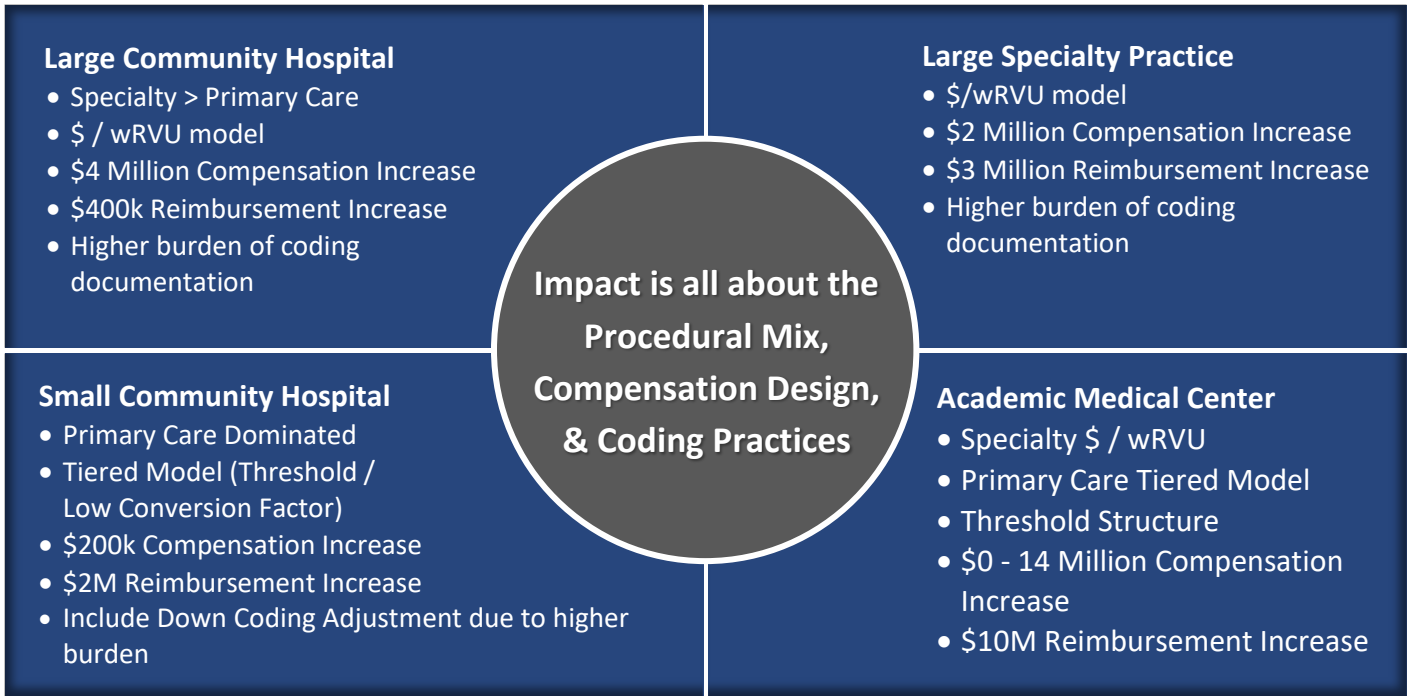
Insights from the Field – Real Life Implications of the 2021 PFS Changes

Pinnacle's strategy and compensation divisions have been actively engaged with clients across the country assessing the impact of the 2021 PFS changes and developing organizational strategies to assist with implementation strategies. Additionally, not every organization has taken the same approach to addressing the PFS changes.

Organizations have generally responded to the 2021 CMS wRVU and payment changes in one of four ways:

1. Maintain 2020 wRVU values and historical compensation rates into 2021. This option may not be contractually feasible and is likely just a temporary solution.
2. Utilize the 2020 wRVU values and modify historical compensation rates per wRVU to reflect Medicare's 2021 increase in reimbursement for primary care and medical specialties.
3. Transition to the 2021 wRVU values and modify historical compensation rates per wRVU to factor in the increased wRVU values and reimbursement impact.
4. Transition to the 2021 wRVU values and use historical compensation rates per wRVU. This approach may be feasible for specialties that don't provide office-based E&M services or for single-specialty groups where historical compensation rates are set conservatively and an increase in compensation is warranted.

What has been interesting to see is that the changes have not necessariliy impacted every organization in the same way. The graphic below is a sampling of the impact the changes have had on organizations across the country. As the depicts, the overall impact of the PFS changes can be different from one organization to the next.



It is also important to note that these changes are only reflective of Medicare. Commercial payor contracts have not simply adopted the new changes across the board. Changes to the Medicare PFS changes may also result in other responses from commercial payers such as additional value-based payment opportunities. Additionally, as commercial payer contract negotiation cycles approach, it will be critical for organizations to be prepared for changes to reimbursement schedules and to assess the impact to the most commonly used codes for the practice.

When modeling, Pinnacle is seeing variations in impacts created by specialty mix, overall code distribution, and compliance with new coding requirements. As a result, a more comprehensive review is valuable to assess projected reimbursement and compensation impacts before making significant changes or simply adopting the fee schedule.

Pinnacle is expecting the remaining conversion factor reduction to occur in 2022, although we will be regularly monitoring changes in the proposed and ultimately implemented changes for 2022. The impact related to wRVU values is presently modest, although, as we've witnessed in years past, this could change before the final version is approved. This, combined by the recently announced CMS surprise billing regulations will continue to challenge orgranizations into 2022 and beyond.

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To add further complexity to the issue, the timing of the the PFS implementation is creating additional challenges for organizations across the country. The COVID-19 pandemic swept across the country and impacted the healthcare delivery system in unprecedented ways. In response, many healthcare organizations temporarily closed their office-based practices (with an effort to transition to virtual visits) and cancelled elective procedures during the apex of the crisis. The downstream impact of these events created a perfect storm for industry benchmarking and provider compensation planning. In particular, this greatly affected the common benchmark data sources (e.g., Medical Group Management Association, Sullivan Cotter and Associates, IHS Gallagher) organizations utilize to assist in establishing compensation plans and organizational philophies.

Pinnacle's Compensation and Strategy Divisions have performed extensive analyses on the impact of these changes on the survey data. Due to some of the reactionary protocols implemented during the pandemic, (e.g., salary freezes coupled with cancelation of clinics and surgical cases), the resulting survey information has been distorted, especially with regards to the relational metrics (e.g., $/WRVU). Our initial observation is that annual total cash compensation (e.g., salaries) remained flat/consistent with previous years, while there were significant swings in the relational metrics (WRVU Production and $ / WRVU) when compared to historical year-over-year trends. This creates a false argument that $ / WRVU amounts increased significantly in cases where no additional work effort or support is available. This could create fair market value and other compliance concerns, without additional review / consideration.

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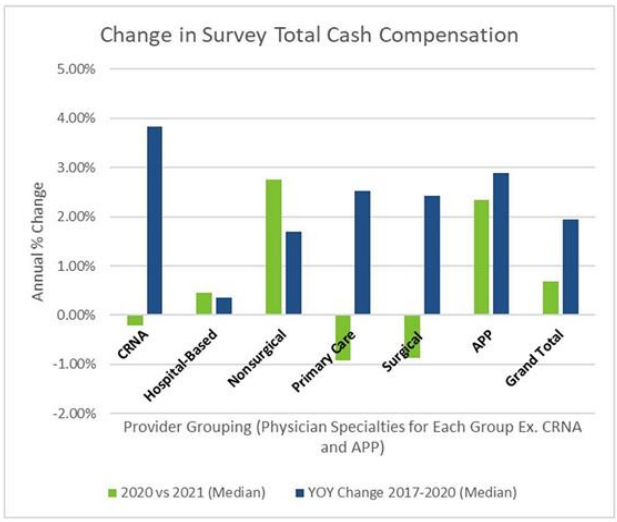
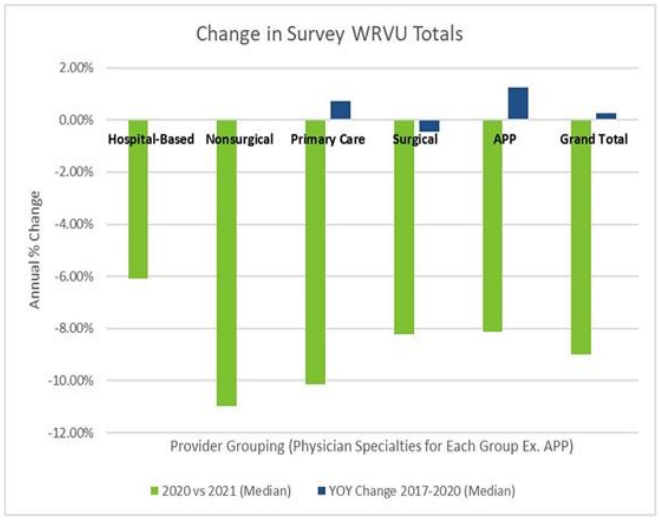
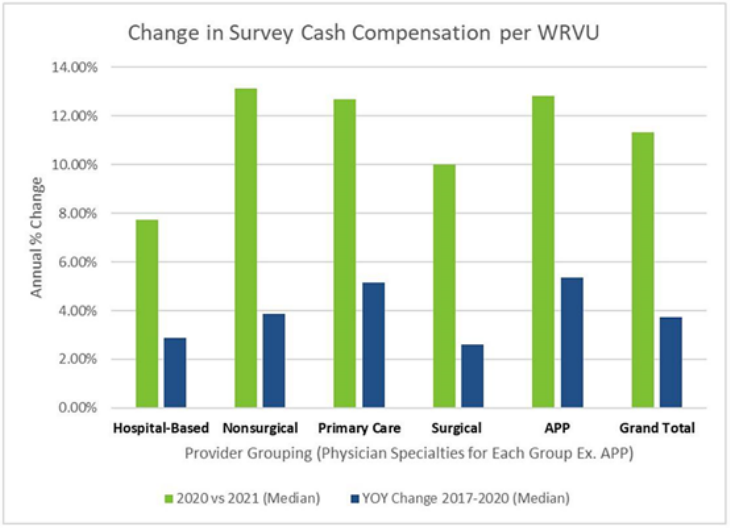
A sample of these impacts are seen in the graphs below:







As organizations are reviewing the impact of the PFS changes on their organization, it will be paramount to understand the impact COVID-19 had on the resources they use to help establish their compensation plans. For compensation models that are highly aligned with relational metrices (e.g., $/WRVUs, compensation to collections), it will be necessary to assess the appropriate compensation conversion factors going forward.

Pinnacle Healthcare Consulting is a national firm specializing in strategic alignment, compensation design, compensation and business valuation, coding and compliance services. As a result, we are able to assess the impacts associated with Health Systems, Hospitals, Medical Groups, ASCs, and other healthcare entities that will be impacted by these significant changes.

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