

*Special to RIMS Members  
Friday, January 6, 2012*

**New Medicare payments will vary from 2011.  
The 2012 Conversion Factor is up, and multiple other changes are in effect.  
Regional differences are narrower in Southern New England.**

Congress' spectacular eleventh-hour muddle in late December essentially froze Medicare payment rates to doctors for the first two months of 2012 by postponing the major SGR cut scheduled to take effect January 1. However, doctors will nevertheless see changes in the way they are paid for serving Medicare patients starting with January 1 dates of service, although the differences should be subtle for Rhode Island – nothing like the 27.4% cuts that came within a whisker of actually being imposed.

For one thing, the Medicare Conversion Factor actually rose by 0.18% effective January 1 to \$34.0376, up from \$33.9764 in 2011. The rise in the Conversion Factor results from the need to restore budget neutrality in the wake of a host of other changes that also went into effect on January 1, despite the postponement of the big SGR cut.

In addition, different specialties and different geographic areas will be affected differently by changes in the relative value units assigned to certain services, changes in Medicare's geographic adjustment factors, and new payment rules for multiple procedures. On top of all that, Medicare's incentives for electronic prescribing and quality reporting entered new phases on January 1, which will affect payments to many physicians.

**Greater weight for practice expense**

Payments will also be affected by a shift in the weighting that Medicare's RBRVS system gives to work, practice overhead and professional liability expense. The average weighting of the work component of RBRVS has been reduced to 48.266% (down from about 52%), while the relative weight given to practice overhead expense is increased to 47.439% of the total (up from about 44%). The weight given to liability expense remains about the same at 4.295%.

**Geographic adjustments**

All Rhode Island physicians serving Medicare patients will benefit from increases in Rhode Island's Geographic Practice Cost Indices (GPCIs) for work and liability expense, both of which have now risen two years in a row. Rhode Island's 2012 GPCI for work is 1.017 (vs. 1.015 for 2011); the new GPCI for liability cost is up substantially to 1.187, vs. 1.089 for 2011. However, Rhode Island's GPCI for practice overhead expense sank as of January 1 to 1.052, down from 1.071 in 2011. (Medicare's geographic adjustment system regards 1.000 as the national average; thus Rhode Island physicians are paid at rates that are overall about 4% higher than the national average, thanks to above-average geographic adjustment factors in all three components of RBRVS.)

Some parts of the country are seeing relatively sharp (4% to 6% or more) declines in their Geographic Adjustment Factors and thus their payment rates for 2012. These areas include metropolitan Boston, all of Arkansas, Iowa, Kentucky and Puerto Rico, and rural Missouri and Louisiana, except the city of New Orleans.

In southern New England, the net effect of the GPCI changes is a narrowing of the differences in payment rates among the four "localities." (Rhode Island and Connecticut are each one "locality"; Medicare splits Massachusetts into "Metropolitan Boston" and "the rest of MA.") Two years ago, Medicare paid doctors in Metropolitan Boston about 11% more than Rhode Island doctors; in 2012 that differential will be more like 2.8%. Connecticut doctors used to get about 6.6% more from Medicare, but their advantage over Rhode Island shrinks to about 3.3% in 2012. Rhode Islanders, on average, are paid at 2012 Medicare rates that are about 1.4% higher than "the rest of Massachusetts" and 6.7% higher than Vermont doctors overall.

Medicare Contractors (including NHIC for New England) are supposed to post 2012 rates to their websites by January 11 and begin processing claims for 2012 dates of service by January 18.