

**Medicare Physician Fee Schedule  
Final Rule  
Q&As**

**Posted February 26, 2003**

**1. Q. Why is CMS publishing a second final rule for the 2003 physician fee schedule?**

A. CMS published a final physician fee schedule rule for calendar year 2003 on December 31, 2002. This rule, which was based on a statutory formula, provided for an average reduction in payment rates for services of 4.4 percent. When we published the rule, CMS Administrator Tom Scully, stated that CMS believed the statutory formula was flawed, and that the update should be 1.6 percent. However, CMS lacked the authority to depart from the statutory formula.

On February 13, Congress passed the Consolidated Appropriations Resolution, 2003 (CAR). The CAR makes clear that Congress intends the Secretary to establish a 1.6 percent update to physician fee schedule rates on March 1. As a result, the update to the physician fee schedule will be 1.6 percent, rather than a negative 4.4 percent. We are publishing this final rule to implement the higher fee schedule rates.

**2. Q. How will the 1.6 percent increase affect some commonly provided services?**

A. On March 1, payment for a coronary artery bypass graft would have been \$1,680.39. With the new rates, we will be paying \$1,799.18. Payment for cataract surgery would have been \$626.32 but will now be \$670.60. Payment for an office visit will be \$51.13 instead of \$47.76 while payment for a screening mammogram will be \$82.77 instead of \$77.30.

**3. Q. How come CMS is saying the 2004 physician fee schedule rates will again be reduced?**

A. CMS is required by law to notify the Medicare Payment Advisory Commission (MedPAC) by March 1 of the projected update for the following year. It should be noted that this a very preliminary estimate, which, because of its timing, must be made with very little data.

Nonetheless, CMS is projecting a negative update for 2004. This is because the statute requires use of a specific formula to set physician fee schedule rates each year. The formula sets rates on how expenditures compare to a target. If actual expenditures are higher than the target, the update is reduced. If actual expenditures are lower than the target, the update is increased. While the target is set using several factors, growth real per capita GDP is its most important element. Higher economic growth and lower growth in actual spending will favor physicians through a higher update. However, larger increases in expenditures in 2001 and 2002 combined with lower than anticipated

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economic growth will likely lead to another reduction in physician fee schedule rates in 2003.

**4. Q. If a physician has already made a decision to participate or not participate in Medicare before this rule was published, may he change his mind about his status, if he does so by April 14?**

A. CMS is extending the enrollment period through April 14, 2003, for providers to make their participation decision for CY 2003. A provider can submit a new participation agreement if he wants to change his mind about his status if the agreement is received by April 14.

**5. Q. If a physician decides not to participate by April 14, but has been paid as a participating physician prior to that decision, will CMS seek to recoup overpayments? And may the physician bill the beneficiary retroactively up to the limiting charge?**

A. A participation agreement filed by April 14, 2003 will be effective March 1, 2003. If a physician changes his enrollment status after he submits March and early April claims, he will need to contact his carrier to request a payment adjustment for those March and April claims processed using the pre-March 1 enrollment status. Carriers will follow the standard procedures in the Medicare Carriers Manual for the collection of overpayments from providers and beneficiaries, as appropriate.

**6. Q. If a physician submits claims after March 1 for services performed before March 1, at what rate will he be paid?**

A. We will initially be paid at the 2003 rates, but an adjustment will be made after July 1 to recapture the overpayments.

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**7. Q. Will CMS modify any of the prior rules for physicians to change their par/non-par status in 2003?**

A. Since Congress has mandated a change in the 2003 Medicare Physician Fee Schedule (MPFS) rate, the Centers for Medicare & Medicaid Services (CMS) is adding a second participation enrollment period for 2003. The new enrollment period will run 45 days, from March 1, 2003, through April 14, 2003.

**8. Q. Will physicians who have notified the carrier that they wish to change their participation status in 2003 have an opportunity to modify that decision now that the scheduled update has changed?**

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A. Yes. There are two separate participating enrollment periods for 2003. The first period is January 9, 2003, to February 28, 2003. The second period is March 1, 2003, to April 14, 2003. Any participation agreements (or terminations) received prior to March 1, 2003, are effective back to January 1, 2003. Any participation agreements (or terminations) received on or after March 1, 2003, are effective March 1, 2003.

**9.Q.How will this affect processing and adjustments of claims filed by these physicians?**

A. Claims with dates of service January 1, 2003, through February 28, 2003, and processed on or after March 1, 2003, will still be adjusted in July to pay the 2002 rates as previously planned. However, we should note that payment for the vast majority of services paid by Medicare would be increasing, not decreasing, from 2002 to 2003. It is likely that physicians will now owe money to Medicare for the differences between the 2002 and 2003 payment amounts. Overpayments that result due to these adjustments will be recouped using normal procedures.

The mass adjustments performed in July will be adjudicated based on the participation status that was in effect for the date of service on the claim. For example, claims for January and February dates of service processed on or after March 1, 2003, that are being adjusted in July, must be adjusted based on the participation status that was in effect prior to March 1, 2003.

**10.Q. If physicians hold claims for pre-March services that have not yet been submitted to carriers, aren't beneficiaries going to be confused? Will CMS and/or carriers be doing anything to educate beneficiaries on claims logistics problems?**

A.An effort is being made to educate the beneficiary community. The Center for Beneficiary Choices (CBC) will be updating their customer service representatives with general information regarding the payment adjustments that will begin in July. (The CBC is responsible for educating Medicare beneficiaries via the 1-800-MEDICARE number.) The CBC will also be providing similar information to various Medicare partners (such as AARP, National Council on Aging, etc.). In late April, beneficiaries may also view information at [www.Medicare.gov](http://www.Medicare.gov) about the July payment adjustments. The provider community can also take an active part in assisting with beneficiary education by directing Medicare patients to these resources.

**11.Q. Is it correct to assume that if deductible has already been met on a post-March claim, there will not be any deductible taken out of a pre-March claim that is held by the physician and processed in July?**

A. Yes, that assumption is correct.

**12. Q. To avoid repayments later in the year, could a physician submit a charge that is equal to the 2002 fee schedule amount instead of holding claims for these services**

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**until July? Or are there some downsides--such as triggering an audit--with modifying the actual charge for a short period?**

A. Any submitted charges for January and February services that are equal to, or less than, the 2002 fee schedule amounts should not generate an overpayment.

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