CMS RELEASES CY 2024 MEDICARE PHYSICIAN FEE SCHEDULE PROPOSED RULE

Julie Steiner
720.221.9609 • julie.steiner@wakely.com
Emily Janke, FSA, MAAA
470.777.3536 • emily.janke@wakely.com

Executive Summary

On July 13, 2023, the U.S. Centers for Medicare and Medicaid Services (CMS) issued the calendar year (CY) 2024 Medicare Physician Fee Schedule (MPFS) Proposed Rule,[1] which describes potential changes to the fee schedule for 2024. This paper summarizes proposed changes that are likely to impact physicians in 2024. If the CY 2024 proposed changes become final, then the average Medicare reimbursement for physicians will decrease by approximately 1.2% from 2023.

Key observations from the proposed rule and our analysis include:

In 2024, the average Medicare reimbursement for physicians will decrease by approximately 1.2%.

- The decrease in physician payment is primarily driven by terms dictated in the Consolidated Appropriations Act, 2023 (the 2023 CAA, signed into law in December 2022).
- The conversion factor is set to decrease by 3.36% from $33.89 in 2023 to $32.75 in 2024. The decline is driven by the required budget neutrality adjustment, along with a reduction in the supplemental payment boost provided by Congress for CY 2024.
- Relative Value Unit (RVU) factors are slated to change in CY 2024, but the effects vary by provider specialty. The most significant RVU change in 2024 is the implementation of a new HCPCS code (G2211), a complexity add-on code used for Evaluation and Management (E/M) visits involving primary care and longitudinal care of complex patients. The new add-on code may impact multiple provider specialties, but it is especially expected to increase primary care reimbursement. Wakely analyzed prospective rate changes using national Medicare Fee-for-Service (FFS) data and the Wakely Medicare Repricing Analysis Tool (WMRAT). Wakely found that interventional radiology, diagnostic radiology, vascular surgery, and nuclear medicine were among the provider specialties expected to see the largest decreases as a result of RVU changes. Licensed clinical social workers and clinical psychologists were among the provider specialties with favorable RVU changes.

[1] Comments regarding the proposed rule are due to CMS by September 11, 2023.

- One of the more significant changes to Geographic Practice Cost Index (GPCI) values for 2024 is related to the upcoming expiration of the Work GPCI floor. The Work GPCI floor was established with the Consolidated Appropriations Act of 2021 (2021 CAA). The floor effectively raised Work GPCI values to the national average (1.00) for any locality with lower than national labor cost. The Work GPCI floor is set to expire on December 31, 2023, and accordingly, the GPCIs published in the CY 2024 Proposed Rule assume the expiration of the floor. Unless Congress intervenes to extend the floor, areas with lower than national average labor costs, predominantly rural areas, will see a larger reduction in physician reimbursement than they would otherwise.

Medicare Reimbursement for Physicians Estimated to Decrease by 1.2%

In 2024, the average Medicare reimbursement for physicians will decrease by approximately 1.2%, with differences by varying provider specialty and area. The primary driver for the decrease is a change to the supplemental payment boost as established in the 2023 CAA (1.25% in 2024, down from 2.5% in 2023).

The current regulation includes a budget neutrality requirement that specifies that any payment increase must be offset by reductions elsewhere. The CY 2024 budget neutrality adjustment is -2.17%. While this adjustment will lower the conversion factor for 2024, it does not directly impact aggregate physician reimbursement since RVU and other changes offset the adjustment.

One of the most significant changes in 2024 is the implementation of a new HCPCS code (G2211), an add-on code used for E/M visits involving primary care and longitudinal care of complex patients. CMS estimates that 38% of E/M visits in CY 2024 will include the new code and that the portion of the -2.17% budget neutrality adjustment attributable to the add-on code is -2.00%.[2]

The table below outlines the factors contributing to the expected change in physician Medicare reimbursement.

Table 1 – CY 2024 Estimated Physician Medicare Reimbursement Change

Item Impacting Reimbursement	Value	Description
Removal of the CY 2023 2.5% Supplemental Increase (per the 2023 CAA)	0.97561	(a) = 1 / 1.025
CY 2024 1.25% Supplemental Increase (provided in the 2023 CAA)	1.0125	(b) = 1.0125
Statutory Update Factor (no update)	1.0000	(c)
CY 2024 Budget Neutrality Adjustment Factor (applied to Conversion Factor)	0.9783	(d) = 1 – 0.0217
CY 2024 RVU Changes (Offset by the Budget Neutrality Adjustment)	1.0222	(e) = 1 / (d)
Resulting Impact to CY 2024 Physician Reimbursement	0.9878	(f) = (a) x (b) x (c) x (d) x (e)
Expected Change to CY 2024 Physician Reimbursement	-1.22%	(g) = (f) - 1

[2] Stated in the 2024 Medicare Physician Fee Schedule (MPFS) Proposed Rule

Conversion Factor Decreases by 3.36%

The conversion factor is a simple multiplier applied to the RVUs and GPCI adjustments to determine payment rates to services that are part of the MPFS. CMS proposes a conversion factor of $32.7476 for CY 2024, a 3.36% reduction from the $33.8872 conversion factor for CY 2023. The change is driven by a 0% statutory factor update, the required RVU-driven budget neutrality adjustment, along with a reduction to the supplemental increase to physician funding provided by Congress. The Consolidated Appropriations Act, 2023 (the 2023 CAA, signed into law in December 2022) lowered the supplemental increase to 1.25% in 2024 (down from 2.5% in 2023).

The table below summarizes the mathematical build-up of the proposed CY 2024 Conversion Factor.

Table 2 – CY 2024 Proposed Conversion Factor Build-up

Step in Build-Up	Value	Description
CY 2023 Conversion Factor	$33.8872	(a)
Removal of the CY 2023 2.5% Supplemental Increase (per the 2023 CAA)	0.97561	(b) = 1 / 1.025
CY 2024 1.25% Supplemental Increase (provided in the 2023 CAA)	1.0125	(c) = 1.0125
Statutory Update Factor (no update)	1.0000	(d)
CY 2024 RVU Budget Neutrality Adjustment Factor	0.9783	(e)
Resulting CY 2024 Conversion Factor	$32.7476	(f) = (a) x (b) x (c) x (d) x (e)
Conversion Factor Change	-3.36%	(g) = (f) / (a) - 1

Geographic Changes

GPCI factors are used to address geographic variation by locality for Medicare physician reimbursement. One of the more significant changes to GPCI values for 2024 is related to the upcoming expiration of the Work GPCI floor. The Work GPCI floor was established with the 2021 CAA. The floor effectively raised Work GPCI values to the national average (1.00) for any locality with lower than national labor cost. The Work GPCI floor is set to expire on December 31, 2023, and accordingly, the GPCIs published in the CY 2024 Proposed Rule assume the expiration of the floor.

51 localities have a Work GPCI less than 1.00 in 2024. Unless Congress intervenes to extend the floor, these areas will see a larger reduction in physician reimbursement than they would otherwise. Among those seeing the largest decrease in their Work GPCI are Mississippi, Arkansas, and Missouri (excluding St. Louis). Overall impacts to reimbursement by geography can be referenced in Addendum D (Geographic Adjustment Factors) of the 2024 Medicare Physician Fee Schedule (MPFS) Proposed Rule.

Relative Value Unit Changes

RVUs are used to establish relative payment amounts across a variety of services and are updated annually. MPFS uses published RVUs by procedure code, including modifiers, in combination with the conversion factor and GPCIs to determine reimbursements. CMS has published the Proposed CY 2024 physician work, facility and non-facility practice expense, and malpractice expense RVUs in the CY 2024 MPFS Proposed Rule Addenda.

Wakely used the 2022 Medicare 5% Sample Limited Data Sets (LDS) to analyze the impact of RVU changes that could result from both the CY 2023 MPFS Final Rule and the CY 2024 MPFS Proposed Rule. We filtered the data to only include FFS claims and removed claims associated with Ambulatory Surgery Centers (ASC).

We repriced all claims in the 2022 LDS carrier file using WMRAT along with Medicare fee schedules for the 2023 Final Rule and the 2024 Proposed Rule. Facility and non-facility rates were applied based on the fee schedule's standard place of service groupings. Multiple Procedure Payment Reduction (MPPR) adjustments were excluded as the 2024 Proposed Rule Addenda does not have the level of detail needed to perform MPPR adjustments. We limited our analysis to claims repriced under MPFS that had procedure codes that appeared with rates on both the CY 2023 Final Rule and CY 2024 Proposed Rule fee schedules. We did not reprice claims falling under the clinical laboratory, durable medical equipment, anesthesia, ambulance, or Part B Rx fee schedules.

One of the more significant changes in CY 2024 is the implementation of a new HCPCS code in 2024 (G2211, a complexity add-on code for E/M visits involving primary care and longitudinal care of complex patients). Our data set did not include claims with the new add-on code, nor did we make any assumptions in our modeling for this code. Use of the add-on code is not restricted by provider specialty, but it is especially expected to increase primary care reimbursement significantly.

Excluding the impact of the new add-on code, Wakely found that interventional radiology, diagnostic radiology, and vascular surgery were among the provider specialties expected to see the largest decreases as a result of other RVU changes. And conversely, licensed clinical social workers and clinical psychologist were among the provider specialties with the most favorable RVU changes.

In addition to the payment rate updates, CMS shared in a fact sheet other key provisions for the proposed CY 2024 fee schedule. Comments regarding these proposed changes are due to CMS on September 11, 2023.

Disclosures and Limitations

We have relied on published data from CMS for the Medicare 5% Sample Limited Data Set and for the CY 2023 Final and CY 2024 Proposed MPFS. We have reviewed the data for reasonableness but have not performed any independent audit or otherwise verified the accuracy of the data/information. Wakely did not make any adjustments or changes to published data. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly.

The assumptions and resulting estimates included in this analysis are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty.

No trends or completion factors have been applied to the allowed or repriced amounts, and we calculated repriced amounts gross sequestration (i.e. no adjustments to net it out). In addition, we made no adjustment for MACRA/MIPS in our calculations. Furthermore, some HCPCS codes are not present in the Physician Fee Schedule National Payment File due to not being covered by Medicare but have RVUs and GPCIs included in the Medicare Physician Fee Schedule. For these codes, we utilized the RVUs and GPCIs to calculate a repriced amount.

This paper and the analysis contained herein are based on our interpretation and understanding of CMS' published guidance as of July 13, 2023. Results may vary significantly from the CY 2024 MPFS Final Rule, and other federal statutory or regulatory changes may result in further changes.

Wakely Medicare Repricing Analysis Tool

At Wakely, we use our Wakely Medicare Repricing Analysis Tool (WMRAT) to assist clients in repricing medical claims to Medicare FFS rates. Comparing medical claim allowed amounts to Medicare FFS rates is a common practice across the industry, as this analysis provides a useful benchmark for payers to better understand their data and payment practices and for providers to more easily analyze how they are being reimbursed. WMRAT offers a common language for comparing payment rates across multiple lines of business, categories of service, geographic locations, and providers.

Medicare FFS payments are based on a complex set of rules that change frequently and the logic and results can be nuanced. Whether you are interested in creating pricing assumptions, negotiating more competitive contracts, validating internal payment procedures, or setting up new capitation arrangements, Wakely's Medicare Repricing team can work quickly to assist you with understanding how your medical claims payments compare to Medicare FFS rates and how Medicare fee schedules from different years impact your data. Wakely has Medicare Repricing capabilities for payment systems such as the Inpatient Prospective Payment System (IPPS), Outpatient Prospective Payment System (OPPS), Physician and other Professional fee schedules, Federally Qualified Health Centers (FQHC), Ambulatory Surgical Centers (ASC), and more.

For more information about Wakely's capabilities in this area, please contact Emily Janke at emily.janke@wakely.com or Julie Steiner at julie.steiner@wakely.com with any questions or to follow up on any of the concepts presented here, or reach out to the WMRAT team for a demo at WMRATSupport@wakely.com.[3]

[3] For more information, please visit our website at: https://www.wakely.com/services/product/wakely-medicare-repricing-analysis-tool-wmrat

OUR STORY

Five decades. Wakely began in 1969 and eventually evolved into several successful divisions. In 1999, the actuarial arm became the current-day Wakely Consulting Group, LLC, which specializes in providing actuarial expertise in the healthcare industry. Today, there are few healthcare topics our actuaries cannot tackle.

Wakely is now a subsidiary of Health Management Associates. HMA is an independent, national research and consulting firm specializing in publicly funded healthcare and human services policy, programs, financing, and evaluation. We serve government, public and private providers, health systems, health plans, community-based organizations, institutional investors, foundations, and associations. Every client matters. Every client gets our best. With more than 20 offices and over 400 multidisciplinary consultants coast to coast, our expertise, our services, and our team are always within client reach.

Broad healthcare knowledge. Wakely is experienced in all facets of the healthcare industry, from carriers to providers to governmental agencies. Our employees excel at providing solutions to parties across the spectrum.

Your advocate. Our actuarial experts and policy analysts continually monitor and analyze potential changes to inform our clients' strategies – and propel their success.

Our Vision: To partner with clients to drive business growth, accelerate success, and propel the health care industry forward.

Our Mission: We empower our unique team to serve as trusted advisors with a foundation of robust data, advanced analytics, and a comprehensive understanding of the health care industry.

Going Beyond the Numbers

Learn more about Wakely Consulting Group at www.wakely.com