

Important Update on 2012 Medicare Physician Payment Rates

The payroll tax extension legislation that was passed by Congress and signed by the President on Dec. 23, 2011 (Public Law 112-078) delayed the 27.4% Medicare pay cut due to the SGR formula for two months. It also extended the floor on the work geographic practice cost index (GPCI) and certain other policies. The Centers for Medicare & Medicaid Services (CMS) has confirmed to the AMA, however, that all of the other changes that were included in the Medicare physician payment final rule for 2012 will still take effect. Physicians should not expect that payment rates will remain unchanged. As detailed in a [memo sent to the Federation](#) on Nov. 4, 2011 following release of the final rule, numerous changes are being made in the relative value units, GPCIs, electronic prescribing and quality reporting programs, and multiple procedure payment rules for 2012. All of these changes will take effect as scheduled for dates of service beginning Jan. 1, 2012.

In addition, although P.L. 112-078 provided for a zero percent update to the Medicare conversion factor, the final rule indicated that there would be a 0.18% increase in the conversion factor for budget neutrality and this change will also be effective Jan. 1, 2012. The budget neutrality increase is due to CMS adoption of the RVS Update Committee recommendations for misvalued codes. The 2011 conversion factor was \$33.9764. The 2012 conversion factor will be \$34.0376.

CMS also has indicated that because Congress acted so late in 2011 to prevent the SGR cut, claims must still be held for a period of time to allow CMS time to develop the new payment rate files and the Medicare claims administration contractors time to install and test the files. CMS expects that most if not all contractors will be ready to process claims under the revised rates on or before Jan. 18, 2012, which is the end of the 10-business-day claims hold period previously announced, but contractors' time frames may differ. Contractors are expected to have the new rates posted to their web sites by Jan. 11th.

Finally, CMS published in the Jan. 4, 2012, Federal Register a [correction notice](#) to the 2012 final rule that modifies the relative values for a number of services. The agency also posted to its web site a [revised relative value file](#) reflecting both the corrections and the legislation that stopped the 27.4% cut.

The AMA will continue to provide updates from CMS as more information becomes available.



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