

‘Slow bleed’ of Medicare reimbursement rates begins in 2010

By Paula E. Hartman-Stein, Ph.D.

Ironically the recognition of psychologists as independent specialists of mental health treatment that occurred after many hard fought political battles is now a key factor in declining reimbursement rates for psychological services under Medicare.

Reimbursement for neuropsychological services will be reduced by 17 percent, phased in over a four-year period which began on Jan.1, while other clinical services such as psychotherapy will average an 8 percent reduction by 2013.

“We are in the midst of the greatest paradigm shift in health care that will impact psychology that may occur in our lifetime, probably rivaling the inclusion of psychology in state licensing bills,” said Antonio Puente, Ph.D., neuropsychologist and voting member of the Current Procedural Terminology (CPT) panel of the American Medical Association (AMA).

The prevailing perspective within the Center for Medicare and Medicaid (CMS) is that specialty procedural codes are overvalued financially while the evaluation and management of health conditions by primary care practitioners have been undervalued, according to Puente. “We are in the middle of an anti-specialty movement, so psychology stands to lose.

Given that Congress passed budget neutrality with a fixed budget for health care, when you add something, something else is reduced,” he said.

“Neuropsychology has taken the brunt of psychology’s loss similar to other specialties that have high equipment costs,” said Puente. “We’re crying with the 17 percent reduction, but other specialties have had as high as 40 percent declines in reimbursement,” he said.

The shift from favoring specialty procedural codes to evaluation and management services is based on realignment of Medicare reimbursement rates by a reformulation of how to determine practice expense.

The former Medicare formula used to determine practice expense gave more weight to direct costs such as the expense of psychological testing supplies and equipment.

According to Puente, CMS made an adjustment in the formula that now almost equalizes the impact of direct to indirect costs such as rent, utilities, administrative staff and numbers of hours per year that the practice is open.

According to the APA Practice Update released Nov. 23, a multi-specialty survey was launched in 2007-2008 to obtain data about indirect costs. Prior to the survey, psychological practice expense had been based upon data from psychiatry’s practice expense of 29 percent.

According to Puente, using survey methodology endorsed by CMS and used by all specialties, data collected by an independent research firm indicated that psychologists’ indirect costs averaged closer to 20 percent of their general expenses.

A random sample of approximately 100 psychologists chosen from those who pay APA’s special assessment dues for practitioners were asked to participate in the practice expense survey. Approximately 60 percent provided complete and useable data.

According to the APA memo from the government relations staff, after the validity of the data had been confirmed, the actuary noted a possible explanation that “psychologists tend to have small practices with few administrative and clinical staff.”

In addition, the memo said that given the economic downturn over the past few years, “psychologists likely have improved their productivity and/or reduced spending for items such as technology and office supplies.”

The reimbursement reductions from changes in calculating the expense of doing business are non-negotiable and not part of the current debate in Congress over the proposed Medicare rate reductions related to a factor known as the Sustainable Growth Rate (SGR).

The original reduction proposed due to the SGR was 21.2 percent, but the effective date has been postponed until Feb. 28 to give Congress more time to consider what the actual cut will be..

Puente predicted that over time some Medicare-covered psychological services may eventually end up with reimbursement lower than current Medicaid rates. “How do we add 30 million people to the health care registry? That is the backdrop of the reductions.”

Pointing out the gains that neuropsychology made in the recent past with new codes such as those that allow for technicians and payment for computer based services, Puente remains hopeful. “Psychologists will one day have even greater access to clinical codes within the current system that more closely reflect our training and licensure.”

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