

## **Advanced Imaging Service Assumed Equipment Use Rate - 2011**

Under the Medicare physician fee schedule, some services have separate payments for the technical component and the professional component. Imaging services generally have this two-part payment structure, with the actual taking of the image being the technical component and the interpretation of the image serving as the professional component. Medicare pays for each of these components separately when the technical component is furnished by one physician and the professional component by another. When both components are furnished by one physician, Medicare makes a single global payment that is equal to the sum of the payment for each of the components.

A significant factor in establishing the technical component payment amount is the Centers for Medicare and Medicaid Services (CMS) assumption as to how frequently the equipment involved in furnishing the service is used. In 1997, CMS set the assumed use rate for all types of equipment, from an MRI machine to an x-ray machine, at 50 percent. In practical terms, this meant that CMS assumed that equipment was being used 25 hours out of a 50 hour practice week. The agency acknowledged that it established this assumed rate without having access to specific equipment use information. The assumed use rate impacts the technical payment amount as the CMS-determined cost for a piece of equipment is essentially divided by the number of times that the piece of equipment is assumed to be used over its lifetime—providing a per use, or per unit, amount. Use of equipment at a rate higher than the 50 percent assumed rate would lower the per-use amount as the cost of the equipment would spread over more units of service. If the assumed use rate is less than the actual use of the equipment, the payment for that equipment is higher than warranted.

In recent years, researchers have questioned whether the CMS 50 percent assumption was too low, especially as it pertained to advanced imaging equipment, which includes CT, PET, and ultrasound, in addition to MRI. A 2006 survey of select geographic markets conducted by a non-partisan entity that advises Congress indicated that advanced imaging equipment use was significantly higher than the 50 percent assumption. This and other assessments increased policymaker concern that the CMS assumed use rate was resulting in higher than justified payments for advanced imaging services. Numerous researchers have indicated that high relative payment rates for advanced imaging services provide financial incentives that contributed to rapidly rising advanced imaging utilization. It was also noted that the high acquisition cost for advanced imaging equipment provides a strong incentive to optimize the amount of time it is in use.

After considering the available information, CMS decided to increase the assumed rate for all equipment that costs more than \$1 million from 50 percent to 90 percent. This would be achieved with a planned four-year phase-in, beginning January 1, 2010.

The agency left the assumed rate at 50 percent for all equipment costing less than \$1 million. This action effectively increased the assumed use rate for advanced imaging services and, thus, lowered the payment for the technical component of these services. CMS redistributed the reduced expenditures, or “savings,” that resulted from lowering these payments in the form of a slight increase in payments for all other services. The law requires that agency accommodate changes it makes using its regulatory authority in a budget neutral manner, meaning that Medicare physician fee schedule expenditure’s remain constant from one year to the next. Since lowering payments for advanced imaging services would reduce Medicare fee schedule expenditures below the 2009 level, CMS took the “savings,” kept them in the pool of fee schedule payment dollars, and distributed them through a slight increase in payments for other services.

**What does the health reform law do to change the assumed rate that equipment is used to furnish advanced imaging services?**

The Patient Protection and Affordable Care Act of 2010 (ACA) stipulates that the assumed use rate for expensive (costing over \$1 million) equipment, which essentially describes equipment used in advanced imaging, that is used as a factor in determining the Medicare physician fee schedule technical component payment be set at 75 percent beginning January 1, 2011. This supersedes the phased-in 90 percent rate that CMS set in 2010. The law further stipulates that the savings generated by increasing the assumed use rate from the 50 percent used in 2009 to 75 percent, which lowers the payment for advanced imaging services, go back to the U.S. Treasury instead of being retained in the physician fee schedule payment pool.

As explained in year 2014 of this guide, the assumed rate will increase effective January 1, 2014, in accordance with a provision of the American Taxpayer Relief Act of 2012 (H.R. 8), which was signed into law on January 2, 2013. Although the ACA would have held the rate steady at 75 percent for 2011 and all subsequent years, the Taxpayer Act will override that provision of the ACA — by setting the rate at 90 percent for 2014 and all following years. As previously determined for 2011, savings generated by increasing the assumed rate will go back to the U.S. Treasury instead of being retained in the physician fee schedule payment pool.