

Memorandum (February 12, 2009)

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American College of Radiology (ACR)

FROM: Kara Suter, Rachel Kramer, and James Muller
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SUBJECT: Findings of equipment utilization changes for equipment > \$1 million in price

The ACR recently engaged TMC to evaluate how changes to the equipment utilization assumptions currently used under the practice expense (PE) methodology of the Medicare Physician Fee Schedule (MPFS) would affect radiologists.

Four main scenarios were modeled:

1. A utilization assumption change of 50% to 75% for equipment with a price greater than \$1 million¹ in which newly available relative value is redistributed to remaining services (i.e., the “money” stays in the system).
2. A utilization assumption change of 50% to 90% in which newly available relative value is redistributed to remaining services.
3. A utilization assumption change of 50% to 75% in which the newly available relative value is removed from the system (i.e., “savings” are pulled out of the system).
4. A utilization assumption change of 50% to 90% in which the newly available relative value is removed from the system (i.e., “savings”).

Key Findings²

Redistribution back into the System:

1. If relative value made available by this utilization assumption change is redistributed back into the system then, at 75%, diagnostic radiology reimbursement will actually increase by \$4 million (+/- .01) in year one.
 - The positive increase is due to increases in RVUs for other services billed by diagnostic radiologists which offset the decreases in the services affected by the utilization assumption changes.
2. If relative value made available by this utilization assumption change is redistributed back into the system then, at 90%, diagnostic radiology reimbursement decreases by approximately \$12 million (+/- .01) in year one.

¹ As per MedPAC recommendations.

² Please note that in the figures published in CBO’s December 2008 Health Options Report (#62), there were adjustments made to conversion factor estimates and likely utilization adjustments due to behavioral changes and therefore, a five or ten year projection using just the raw annual estimates presented in this memo will be much larger than CBO.

- At 90%, the increases in RVUs for other services billed by diagnostic radiologists do not offset the decreases in the services affected by the utilization assumption changes at this level.

Savings Pulled out of the System:

3. If newly available relative value is removed from the system, at 75%, diagnostic radiology will lose approximately 90 million (+/- .01%) in year one.
4. If newly available relative value is removed from the system, at 90%, we estimate diagnostic radiology will lose approximately 170 million (+/- .01%) in year one.

Other Items:

5. Changes to the utilization assumption, not surprisingly, diminish the effect of the Deficit Reduction Act (DRA) caps.
6. In the 2009 CMS data, there are 10 pieces of equipment with prices > \$1 million (see Table below) affecting 609 distinct services.

Table 1. Equipment with Price > \$1 million

Equipment Category	Equipment Code	Description	Price
IMAGING EQUIP		SRS system, Lincac	\$4,350,000
IMAGING EQUIP		SRS system, SBRT, six systems, ave	\$4,000,000
IMAGING EQUIP		Gammaknife	\$3,870,000
ROOM - LANE	EL010	room, PET-CT	\$2,136,283
IMAGING EQUIP	ER010	accelerator, 6-18 MV	\$1,832,941
ROOM - LANE	EL008	room, MR	\$1,605,000
IMAGING EQUIP	ER009	accelerator, 4-6 MV	\$1,408,491
ROOM - LANE	EL011	room, angiography	\$1,386,816
ROOM - LANE	EL009	room, PET	\$1,328,996
ROOM - LANE	EL007	room, CT	\$1,284,000