



PHYSICIAN COMPLIANCE ALERT

OCTOBER 2020

2021 Evaluation and Management Coding Changes: Impact of Reimbursement and Compliance to WRVU Based Physician Compensation Arrangements

All physician contracts including any form of WRVU based compensation may need to be reviewed and probably amended due to the increase in WRVU's associated with E&M CPT codes effective January 1, 2021. This has been necessitated by CMS whereby the final decision involved eliminating CPT Code 99201 and leaving CPT Code 99211 unchanged. The changes for CPT Codes 99202-99205 and 99212-99215 have resulted in increased physician/provider reimbursement since the WRVU's for these codes have been significantly changed. Indeed, this increase in the WRVU component will certainly affect physician compensation. While the major commercial payers have not yet announced their intention to utilize the 2021 E&M codes, those decisions will greatly impact both provider reimbursement and WRVU utilization. It should be noted that CMS is making these changes on a budget neutral basis whereby the increase in selected WRVU's, particularly E&M codes, will be offset by CMS decreasing the Medicare compensation rate from \$36.09 to \$32.26 in order to maintain budget neutrality.

We recently conducted an assessment which showed the "unintended consequences" of increased compensation to the physicians/providers and the potential impact to fair market value standards. The Consolidated Impact Summary for six (6) Family Practice physicians is shown below:

CONSOLIDATED IMPACT SUMMARY

Physician Name	Base Salary	Bonus Paid	Total Compensation Paid	Base WRVU/ Compensation	Timeframe	WRVU Total (12 mo)	Projected Impact: E & M/ WRVU Changes	Projected Total WRVUs	Projected Compensation (Current Rate)	Projected Amended Rate	Projected Compensation
											(Amended Rate)
Dr. #1	\$210,000	\$132,306	\$342,306	5250/\$40	Oct 2018 - Sept 2019	8,557.67	1,671.00	10,228.67	\$409,147	\$33.47	\$342,353.58
Dr. #2	\$200,000		\$200,000	5000/\$40	Mar 2019 - Feb 2020	4,755.88	1,010.00	5,765.88	\$230,635	\$34.69	\$200,018.38
Dr. #3	\$200,000	\$8,004	\$208,004	5000/\$40	Mar 2019 - Feb 2020	5,200.11	1,071.00	6,271.11	\$250,857	\$33.17	\$208,012.72
Dr. #4	\$200,000	\$50,137	\$250,137	5000/\$40	Mar 2019 - Feb 2020	6,253.43	997.00	7,250.43	\$290,017	\$34.50	\$250,139.84
Dr. #5	\$200,000		\$200,000	5000/\$40	Mar 2019 - Feb 2020	4,361.41	911.00	5,272.41	\$210,896	\$37.94	\$200,035.24
Dr. #6	\$280,000		\$280,000	9333/\$30	Nov 2018 - Oct 2019	8,654.72	1,289.00	9,943.72	\$298,322	\$28.16	\$280,015.16
Total	\$1,290,000	\$190,448	\$1,480,448			37,783.22	6,949.00	44,732.22	\$1,689,874		\$1,480,575

This summary shows an 18.4% increase in WRVUs due solely to the 2021 E&M changes resulting in potential increased compensation of \$209,426 per year or an average of \$34,904 per physician per year. These estimates would not apply to employment agreements where there are compensation caps or where individual productivity might not result in additional compensation.

As hospital/physician networks and medical practices assess the financial impact to both the organization and individual physicians/providers, consideration should be given to the following:

1. Forecast compensation expense and practice revenue under the CY 2021 Physician Fee Schedule (MPFS).
2. Amend all applicable physician/provider agreements which include any type of WRVU based compensation and consider using the 2020 RBRVS to value CPT code activity while keeping the compensation per WRVU at the current rate. However, this approach may miss any new or omitted codes.
3. Rebasing WRVUs utilizing the 2021 RBRVS estimating the increase in WRVUs and adjusting the compensation per WRVU in order to keep physician/provider compensation consistent with their relative productivity levels.
4. Depending upon the WRVU methodology chosen, assurance must be given with respect to fair market value and commercial reasonability of any compensation arrangement.

For further information regarding the assessment of the potential impact on physician compensation, productivity and fair market value considerations, please contact us.

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