



PHYSICIAN COMPENSATION ALERT

JANUARY 2021

Update to CMS 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.

On December 27, the Consolidated Appropriations Act, 2021 modified the Calendar Year (CY) 2021 Medicare Physician Fee Schedule (MPFS):

- Provided a 3.75% increase in the MPFS payments for CY 2021
- Suspended the 2% payment adjustment (sequestration) through March 31, 2021
- Reinstated the 1.0 floor on the work Geographic Practice Cost Index through CY 2023
- Delayed implementation of the inherent complexity add-on code for evaluation and management services (G2211) until CY 2024

CMS has recalculated the MPFS payment rates and conversion factor to reflect these changes. The revised MPFS conversion factor for CY 2021 is 34.8931. The revised payment rates are available in the Downloads section of the CY 2021 Physician Fee Schedule final rule (CMS-1734-F) webpage.

The changes in WRVUs for the major Evaluation and Management (E&M) codes are as follows:

COMPARISON OF 2020 & FINAL 2021 MEDICARE PHYSICIAN FEE SCHEDULE WRVU VALUES

CPT	DESCRIPTION	2020 WRVUs	2021 WRVUs	% CHANGE
99202	Office/outpatient visit new	0.93	0.93	0.0%
99203	Office/outpatient visit new	1.42	1.60	12.6%
99204	Office/outpatient visit new	2.43	2.60	7.0%
99205	Office/outpatient visit new	3.17	3.50	10.4%
99212	Office/outpatient visit est	0.48	0.70	45.8%
99213	Office/outpatient visit est	0.97	1.30	34.0%
99214	Office/outpatient visit est	1.50	1.92	29.0%
99215	Office/outpatient visit est	2.11	2.80	32.7%

Note: The American Medical Association owns the copyright to CPT codes licensed to Medicare for use in the MPFS.

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:	Projected Total WRVUs	Projected Compensation (Current Rate)
							E & M/ WRVU Changes		
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
Dr. #2	\$200,000		\$200,000	5000/\$40	Mar 2019 - Feb 2020	4,755.88	1,010.00	5,765.88	\$230,635
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
Dr. #4	\$200,000	\$50,137	\$250,137	5000/\$40	Mar 2019 - Feb 2020	6,253.43	997.00	7,250.43	\$290,017
Dr. #5	\$200,000		\$200,000	5000/\$40	Mar 2019 - Feb 2020	4,361.41	911.00	5,272.41	\$210,896
Dr. #6	\$280,000		\$280,000	9333/\$30	Nov 2018 - Oct 2019	8,654.72	1,289.00	9,943.72	\$298,322
Total	\$1,290,000	\$190,448	\$1,480,448			37,783.22	6,949.00	44,732.22	\$1,689,874

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. However, increasing WRVU values for common E&M office visit codes has greater implications than just Medicare reimbursement. Thousands of physician employment contracts use compensation models based on WRVU productivity. When WRVUs increase more than reimbursement, physician compensation growth can outpace reimbursement growth and strain operating margins.

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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