ASCO Practice Impact Analysis of the Medicare Physician Fee Schedule and Outpatient Prospective Payment System Proposed Rules for Calendar Year 2022

August 17, 2021

The following analysis explores the impact of the 2022 Medicare Physician Fee Schedule (MPFS) and Outpatient Prospective Payment System (OPPS) proposed rules on oncology specialties. The MPFS establishes Medicare allowable rates for independent physician practices and the professional component for hospital-based practices, excluding drugs and laboratory services. OPPS establishes Medicare allowable rates for the facility component for hospital-based practices.

This analysis covers the following:

- Medicare Physician Fee Schedule
  - Updates to the MPFS conversion factor
  - Changes to clinical labor expenses under the proposed rule
  - Impacts on oncology specialties and services categories
  - Impacts on specific service codes common to oncology
  - Practice specific impacts on PracticeNET participants
- Outpatient Prospective Payment System
  - Updates to the OPPS conversion factor
  - Changes to ambulatory payment classification weights
  - Wage index updates
  - Practice specific impacts on PracticeNET participants
- Cumulative impact of MPFS, OPPS, and statutory updates

ASCO's PracticeNET dataset was used in this analysis. PracticeNET is an operational benchmarking program available to ASCO members and their practices. PracticeNET figures may not necessarily represent the national impact to all oncology practice types. Details on the dataset and methods include:

- 35 physician and hospital-based practices are included, representing $1.3 billion in Medicare allowable payments.
- Medicare allowable units were pulled for the period of April 2020 to March 2021 dates of service.
- Gynecologic Oncology, Hematology/Oncology, and Radiation Oncology physicians are included. Advanced Practice Providers are included and assigned to one of the above service lines as directed by PracticeNET participants.
- Ancillary services are included if provided by or billed under the included physicians or advanced practice providers. Separately purchased and reimbursable drugs are not included.

2318 Mill Road, Suite 800, Alexandria, VA 22314 • T: 571-483-1300 • F: 571-366-9530 • asco.org

Executive Summary

Medicare Physician Fee Schedule

Proposed rules for the calendar year 2022 Medicare Physician Fee Schedule (MPFS) and Prospective Payment System (OPPS) were recently released by the Centers for Medicare and Medicaid Services.

Oncology practices are expected to receive the following decreases in reimbursement due to the MPFS proposed rule, to include decreases in Relative Value Units (RVU) and a 3.75% decrease to the MPFS conversion factor:

- Hematology/Oncology: 6.5% decrease to Medicare allowable rates
- Radiation Oncology: 9.9% decrease to Medicare allowable rates
- Gynecologic Oncology: 5.9% decrease to Medicare allowable rates

Decreases in RVUs for oncology practices' services is primarily due to an update of 20-year old clinical labor expense inputs and a resulting budget neutrality adjustment that decreases adjusted reimbursement by 24%.

The practice-specific impact of MPFS changes depends on service-mix, location, and practice type. Independent practices are expected to receive an average decrease of 8.1% and hospital practices are expected to receive an average decrease of 4.8%.

Outpatient Prospective Payment System

Hospital-based practices are also impacted by the Outpatient Prospective Payment System (OPPS) proposed rule. CMS proposes a 2% increase to the OPPS conversion factor, as well as updates to OPPS Ambulatory Payment Classification (APC) weights; ASCO PracticeNET modeling shows an average 2.2% increase to APC weights for oncology services.

CMS has also updated 2022 wage indices for participating hospitals. Wage index updates impact most hospitals' reimbursement by between negative 2% and positive 2%, though some may experience greater changes.

The OPPS proposed rule also included updates to Radiation Oncology (RO) Model, scheduled to begin on January 1, 2022. Radiation oncologists and radiation therapy centers selected for mandatory participation in the RO Model are expected to receive decreases of at least between 3.5% and 4.5%.

Beginning January 1, 2018, Medicare cut reimbursement for certain separately payable drugs or biologicals acquired through the 340B Drug Pricing Program to Average Sales Price (ASP) minus 22.5%. CMS is proposing to maintain those cuts, while continuing to keep rural, sole community hospitals, children's hospitals, and PPS-exempt cancer hospitals excepted from this policy.

Other Updates

In 2022, physicians and hospitals are currently facing two Congressionally-mandated sequestrations, decreasing Medicare payments by 6%. The cumulative impact of the MPFS and OPPS proposed rules, and sequestration of Medicare payments, is modeled to be between negative 3% and negative 14%, as compared to current rates.

Medicare Physician Fee Schedule

Conversion Factor

The MPFS conversion factor is calculated for each year based upon statutory updates specified in the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), as well as a budget neutrality adjustment which may increase or decrease the conversion factor due to Relative Value Unit (RVU) updates and other changes subject to budget neutrality.

In last December's Calendar Year 2021 MPFS Final Rule, the conversion factor was set to decrease by 6.8%, the result of a budget neutrality adjustment applied by the Centers for Medicare and Medicaid Services (CMS). CMS had updated the work RVUs for office/outpatient evaluation & management (E&M) visits for new and established patients. Most Internal Medicine specialties, including Hematology/Oncology, benefited from these changes in 2021. Surgical Oncology and Radiation Oncology were negatively impacted—surgical and certain other specialties have visits often bundled into global period codes, which did not receive increased work RVUs.

In order to forestall decreases to the 2021 MPFS conversion factor, Congress provided a temporary 3.75% increase as part of the 2021 Consolidated Appropriations Act. The 3.75% increase is due to expire for 2022, resulting in a lower conversion factor for 2022 (see Table 1).

Current Conversion Factor	34.8931
Conversion Factor without Temporary Increase under 2021 Consolidated Appropriations Act	33.6319
RVU Budget Neutrality Adjustment	-0.14%
Proposed 2022 Conversion Factor	33.5848

Table 1. Current and Proposed MPFS Conversion Factors

Specialty Impact

In the text of the proposed rule, CMS calculates that the specialty specific impact of proposed changes is a 2% decrease in RVUs for Hematology/Oncology and 5% decrease for Radiation Oncology. PracticeNET modeling shows a slightly higher 2.9% decrease for Hematology/Oncology and 6.4% decrease for Radiation Oncology—the difference in PracticeNET numbers may be due to a higher proportion of private practices in the program (Tables 2-4). CMS does not calculate a specialty-level impact for Gynecologic Oncology; PracticeNET modeling estimates a 2.2% decrease in RVUs for Gynecologic Oncology.

Combined with the 3.75% decrease to the conversion factor, the changes to volume-weighted national payment rates (NPR) for Hematology/Oncology, Radiation Oncology, and Gynecologic Oncology are negative 6.5%, negative 9.9%, and negative 5.9%, respectively. Driving the overall decreases are a negative 10.7% change to drug administration RVUs and a negative 6.8% change to radiation services.

	2021 Final Rule Total RVUs	2022 Proposed Rule Total RVUs	% Change	2021 Final Rule Modeled Rates	2021 Proposed Rule Modeled Rates	% Change
Drug Administration	319	285	-10.7%	$11,131	$9,572	-14.0%
Imaging	32	29	-9.0%	$1,126	$986	-12.4%
Other Medical Services	8	7	-10.7%	$281	$241	-14.1%
Physician Services (E&M)	634	643	1.4%	$22,134	$21,593	-2.4%
Procedures	6	6	2.1%	$222	$218	-1.7%
Total - Medical Oncology	1,000	971	-2.9%	$34,893	$32,610	-6.5%

Table 2. Relative Value Unit and Medicare Allowable Impact for Hematology/Oncology, by Service Category (per 1,000 in current Relative Value Units)

	2021 Final Rule Total RVUs	2022 Proposed Rule Total RVUs	% Change	2021 Final Rule Modeled Rates	2021 Proposed Rule Modeled Rates	% Change
Imaging	4	3	-7.1%	$129	$116	-10.5%
Other Medical Services	1	1	-9.5%	$44	$39	-12.9%
Physician Services (E&M)	55	56	1.3%	$1,918	$1,871	-2.5%
Procedures	11	10	-10.2%	$390	$337	-13.5%
Radiation Services	929	866	-6.8%	$32,412	$29,080	-10.3%
Total - Radiation Oncology	1,000	936	-6.4%	$34,893	$31,442	-9.9%

Table 3. Relative Value Unit and Medicare Allowable Impact for Radiation Oncology, by Service Category (per 1,000 in current Relative Value Units)

	2021 Final Rule Total RVUs	2022 Proposed Rule Total RVUs	% Change	2021 Final Rule Modeled Rates	2021 Proposed Rule Modeled Rates	% Change
Drug Administration	210	186	-11.3%	$7,328	$6,255	-14.6%
Imaging	45	41	-9.3%	$1,572	$1,373	-12.7%
Other Medical Services	0	0	-5.1%	$9	$8	-8.7%
Physician Services (E&M)	365	372	2.0%	$12,744	$12,508	-1.9%
Procedures	379	378	-0.4%	$13,240	$12,697	-4.1%
Total - Gynecologic Oncology	1000	978	-2.2%	$34,893	$32,841	-5.9%

Table 4. Relative Value Unit and Medicare Allowable Impact for Gynecologic Oncology, by Service Category (per 1,000 in current Relative Value Units)

In the 2021 final rule, medical specialties were impacted by significant increases to the value of office/outpatient E&M visits, resulting in a negative budget neutrality adjustment. For 2022, changes in RVUs are primarily driven by changes to clinical labor expense, triggering a different budget neutrality adjustment, detailed below.

Changes to Clinical Labor Expense

Medicare allowable rates are calculated from the combination of work RVUs, practice expense RVUs, and malpractice RVUs, adjusted geographically—Medicare uses Geographic Practice Cost Indices (GPCI) to adjust RVUs for each locality—and through annual changes in the conversion factor.

Medicare Allowable =
*(Work RVU * Work GCPI +*
[Direct Practice Expense RVU {Clinical Labor + Supplies + Equipment} +
*Indirect Practice Expense RVU] * Practice Expense GPCI +*
*Malpractice RVU * Malpractice GPCI) **
Conversion Factor

The calculation of clinical labor expenses is based on the labor class used in the performance of each service (e.g., RN/OCN); time estimates for pre-, intra-, and post-service; and a pay/benefit rate per minute; rates per minute are based on Bureau of Labor Statistics or other sources. For most labor codes, rates per minute have not been updated for 20 years (i.e., the 2002 MPFS final rule). As a result, the

calculated direct practice expenses have been grossly undercalculated in recent years. For 2022, CMS proposes to update each labor code's rates with more recent data. Some codes, such as the widely used RN/LPN/MTA (+59% over 2021 rates), are receiving significant increases (Table 5).

	2021 Final Rule Rate per Minute	2022 Proposed Rule Rate per Minute	% Change
L037D – RN/LPN/MTA	0.37	0.59	59%
L042A – RN/LPN	0.42	0.69	64%
L051A – RN	0.51	0.85	67%
L056A – RN/OCN	0.79	0.88	11%
L050C – Radiation Therapist	0.50	1.00	100%
L063A – Medical Dosimetrist	0.63	1.07	70%
L107A – Dosimetrist/Physicist	1.08	1.45	35%
L152A – Medical Physicist	1.52	1.80	18%

Table 5. Selected Clinical Labor Inputs

Embedded within the calculation of the practice expense RVUs is a budget neutrality mechanism titled "direct scaling adjustment" which converts actual labor, supply, and equipment expenses to adjusted values. If specific direct practice expenses increase or decrease, contraposed changes to the direct scaling adjustment keep the total number of direct practice expense RVUs equal to the prior year.
In recent years, practice expense RVUs were calculated using a direct scaling adjustment of between 0.57 and 0.59. For 2022, the significant increases to labor expenses precipitated a decrease in the Direct Scaling Adjustment to 0.45 (Figure 1). In other words, to pay for increases to direct labor, rates for all other inputs are to be decreased by 24%.

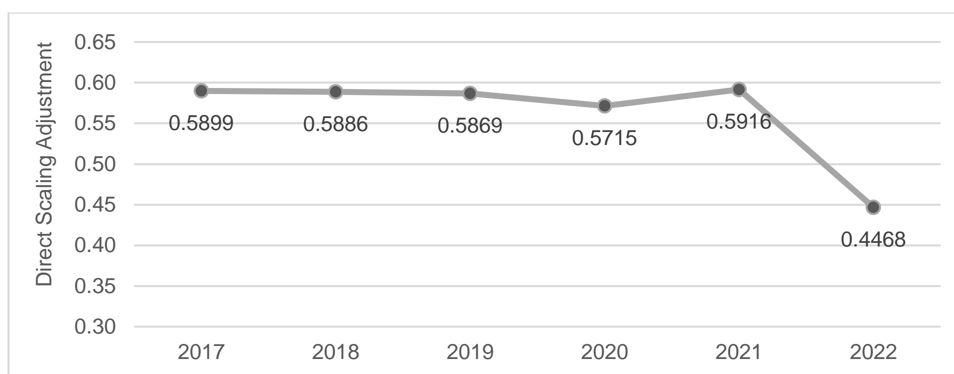

Figure 1. Direct Scaling Adjustment Used to Determine Direct Practice Expense RVUs, by Calendar Year

Tables 6 and 7 show how direct costs are converted to practice expense RVUs. In the case of 96413 (chemotherapy intravenous injection/infusion), the 11% increase to labor costs was not sufficient to overcome the 24% decrease to the direct scaling adjustment. For G6015 (intensity modulated radiation treatment delivery), despite a 99% increase to labor costs, the impact of the direct scaling adjustment to equipment and supplies resulted in a 16% decrease to total adjusted costs.

	2021 Final Rule	2022 Proposed Rule	% Change
Labor Cost	77.42	86.24	11%
Supply Cost	22.55	23.68	5%
Equipment Cost	1.52	1.65	9%
Direct Cost	101.50	111.57	10%
Direct Scaling Adjustment	**0.5916**	**0.4468**	**-24%**
Adjusted Labor Cost	45.80	38.53	-16%
Adjusted Supply Cost	13.34	10.58	-21%
Adjusted Equipment Cost	0.90	0.74	-18%
Adjusted Direct	60.05	49.85	-17%
Conversion Factor*	**36.0896**	**34.8931**	**-3%**
Labor Converted	1.27	1.10	-13%
Supply Cost Converted	0.37	0.30	-18%
Equipment Cost Converted	0.02	0.02	-15%
Direct Cost Converted	1.66	1.43	-14%

Table 6. Calculated Direct Practice Expense RVUs for 96413, Chemotherapy IV, Non-Facility
** The practice expense calculator uses the prior year's conversion factor*

	2021 Final Rule	2022 Proposed Rule	% Change
Labor Cost	33.61	66.77	99%
Supply Cost	16.80	18.89	12%
Equipment Cost	350.48	360.52	3%
Direct Cost	400.88	446.18	11%
Direct Scaling Adjustment	**0.5916**	**0.4468**	**-24%**
Adjusted Labor Cost	19.88	29.83	50%
Adjusted Supply Cost	9.94	8.44	-15%
Adjusted Equipment Cost	207.34	161.08	-22%
Adjusted Direct	237.16	199.35	-16%
Conversion Factor*	**36.0896**	**34.8931**	**-3%**
Labor Converted	0.55	0.85	55%
Supply Cost Converted	0.28	0.24	-12%
Equipment Cost Converted	5.75	4.62	-20%
Direct Cost Converted	6.57	5.71	-13%

Table 7. Calculated Direct Practice Expense RVUs for G6015, IMRT Delivery, Non-Facility
** The practice expense calculator uses the prior year's conversion factor*

Impact on Specific Oncology Services

As demonstrated, changes to clinical labor expenses impact each service differently. RVUs for office/outpatient E&M visits are proposed to increase between 2% and 4%, most drug administration codes will decrease between 10% and 17%, and radiation treatment delivery will decrease by between 17% and 22% (Tables 8-10; Figure 2). Code 96372 (therapeutic prophylactic & diagnostic subcutaneous/intramuscular injection), subject to recent decreases, is proposed to receive a 0.9% increase in 2022.

	2021 Final Rule RVU	2022 Proposed Rule RVU	% Change	2021 Final Rule NPR	2022 Proposed Rule NRP	% Change
99202 - Office/Outpatient Visit, New, Level 2	2.12	2.19	3.3%	73.97	73.55	-0.6%
99203 - Office/Outpatient Visit, New, Level 3	3.26	3.34	2.5%	113.75	112.17	-1.4%
99204 - Office/Outpatient Visit, New, Level 4	4.87	4.97	2.1%	169.93	166.92	-1.8%
99205 - Office/Outpatient Visit, New, Level 5	6.43	6.59	2.5%	224.36	221.32	-1.4%
99211 - Office/Outpatient Visit, Established, Level 1	0.66	0.69	4.5%	23.03	23.17	0.6%
99212 - Office/Outpatient Visit, Established, Level 2	1.63	1.68	3.1%	56.88	56.42	-0.8%
99213 - Office/Outpatient Visit, Established, Level 3	2.65	2.71	2.3%	92.47	91.01	-1.6%
99214 - Office/Outpatient Visit, Established, Level 4	3.76	3.85	2.4%	131.20	129.30	-1.4%
99215 - Office/Outpatient Visit, Established, Level 5	5.25	5.39	2.7%	183.19	181.02	-1.2%

Table 8. Relative Value Unit and Medicare Allowable Impact for Office/Outpatient Visit Codes

	2021 Final Rule RVU	2022 Proposed Rule RVU	% Change	2021 Final Rule NPR	2022 Proposed Rule NRP	% Change
96360 - IV infusion, hydration, 31 minutes to 1 hour	1.04	0.92	-11.5%	36.29	30.90	-14.9%
96361 - IV infusion, hydration, each additional hour	0.40	0.36	-10.0%	13.96	12.09	-13.4%
96365 - IV infusion, non-chemo, initial, up to 1 hour	2.11	1.86	-11.8%	73.62	62.47	-15.2%
96366 - IV infusion, non-chemo each additional hour	0.64	0.60	-6.3%	22.33	20.15	-9.8%
96367 - Iv infusion, non-chemo, additional drug	0.92	0.83	-9.8%	32.10	27.88	-13.2%
96368 - Concurrent infusion	0.61	0.57	-6.6%	21.28	19.14	-10.1%
96372 - Non-chemo injection, sc or im	0.41	0.43	4.9%	14.31	14.44	0.9%
96374 - IV push, non-chemo, initial	1.20	1.06	-11.7%	41.87	35.60	-15.0%
96375 - IV push, non-chemo, additional drug	0.49	0.45	-8.2%	17.10	15.11	-11.6%
96377 - Application on-body injector	0.58	0.54	-6.9%	20.24	18.14	-10.4%
96401 - Chemo admin, sc or im, non-hormonal	2.36	2.08	-11.9%	82.35	69.86	-15.2%
96402 - Chemo admin, sc or im, hormonal	0.95	1.07	12.6%	33.15	35.94	8.4%
96409 - Chemo admin, iv push, initial	3.25	2.87	-11.7%	113.40	96.39	-15.0%
96411 - Chemo admin, iv push, additional drug	1.78	1.58	-11.2%	62.11	53.06	-14.6%
96413 - Chemo admin, iv infusion, initial, up to 1 hour	4.25	3.71	-12.7%	148.30	124.60	-16.0%
96415 - Chemo admin, iv infusion, each additional hour	0.90	0.81	-10.0%	31.40	27.20	-13.4%
96417 - Chemo admin, iv infusion, additional drug	2.06	1.82	-11.7%	71.88	61.12	-15.0%
96416 - Chemo admin, prolonged iv infusion (>8 hours)	4.22	3.64	-13.7%	147.25	122.25	-17.0%

Table 9. Relative Value Unit and Medicare Allowable Impact for Drug Administration Codes

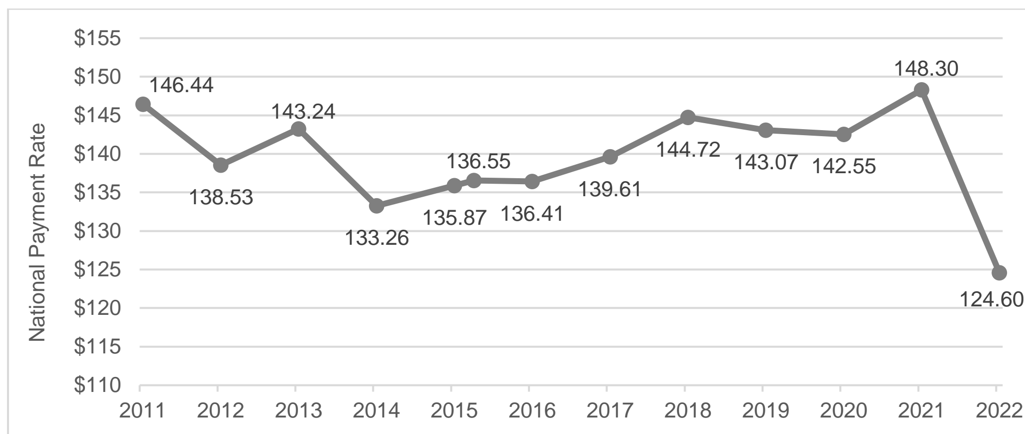

Figure 2. National Payment Rate for 96413, Chemotherapy IV, Non-Facility

	2021 Final Rule RVU	2022 Proposed Rule RVU	% Change	2021 Final Rule NPR	2022 Proposed Rule NRP	% Change
G6003 - Radiation tx delivery, simple, ≤5 MV	4.49	3.87	-13.8%	156.67	129.97	-17.0%
G6004 - Radiation tx delivery, simple, 6-10 MV	4.15	3.50	-15.7%	144.81	117.55	-18.8%
G6005 - Radiation tx delivery, simple, 11-19 MV	4.16	3.50	-15.9%	145.16	117.55	-19.0%
G6006 - Radiation tx delivery, simple, ≥20 MV	4.14	3.48	-15.9%	144.46	116.88	-19.1%
G6007 - Radiation tx delivery, intermediate, ≤5 MV	7.89	6.35	-19.5%	275.31	213.26	-22.5%
G6008 - Radiation tx delivery, intermediate, 6-10 MV	5.74	4.81	-16.2%	200.29	161.54	-19.3%
G6009 - Radiation tx delivery, intermediate, 11-19 MV	5.70	4.80	-15.8%	198.89	161.21	-18.9%
G6010 - Radiation tx delivery, intermediate, ≥20 MV	5.69	4.81	-15.5%	198.54	161.54	-18.6%
G6011 - Radiation tx delivery, complex, ≤5 MV	7.63	6.37	-16.5%	266.23	213.94	-19.6%
G6012 - Radiation tx delivery, complex, 6-10 MV	7.59	6.37	-16.1%	264.84	213.94	-19.2%
G6013 - Radiation tx delivery, complex, 11-19 MV	7.61	6.38	-16.2%	265.54	214.27	-19.3%
G6014 - Radiation tx delivery, complex, ≥20 MV	7.59	6.35	-16.3%	264.84	213.26	-19.5%
G6015 - Radiation tx delivery, IMRT	11.05	9.99	-9.6%	385.57	335.51	-13.0%

Table 10. Relative Value Unit and Medicare Allowable Impact for Radiation Treatment Delivery

Practice Specific Impact

The impact of MPFS changes on specific PracticeNET practices is dependent on what specialties the practice employs and whether the practice is independent or hospital based. Whereas independent practices bill drug administration and radiation treatment delivery under the MPFS and are subject to their decreases, hospital-based practices predominately bill such services under the OPPS (Table 11; Figure 3).

	2021 Final Rule Total RVUs	2022 Proposed Rule Total RVUs	% Change	2021 Final Rule Modeled Rates	2021 Proposed Rule Modeled Rates	% Change
Independent (physician) practices	1,000	955	-4.5%	$34,893	$32,071	-8.1%
Hospital-based practices	1,000	989	-1.1%	$34,893	$33,231	-4.8%

Table 11. Relative Value Unit and Medicare Allowable Impact for Independent versus Hospital-Based Practices (per 1,000 in current Relative Value Units)

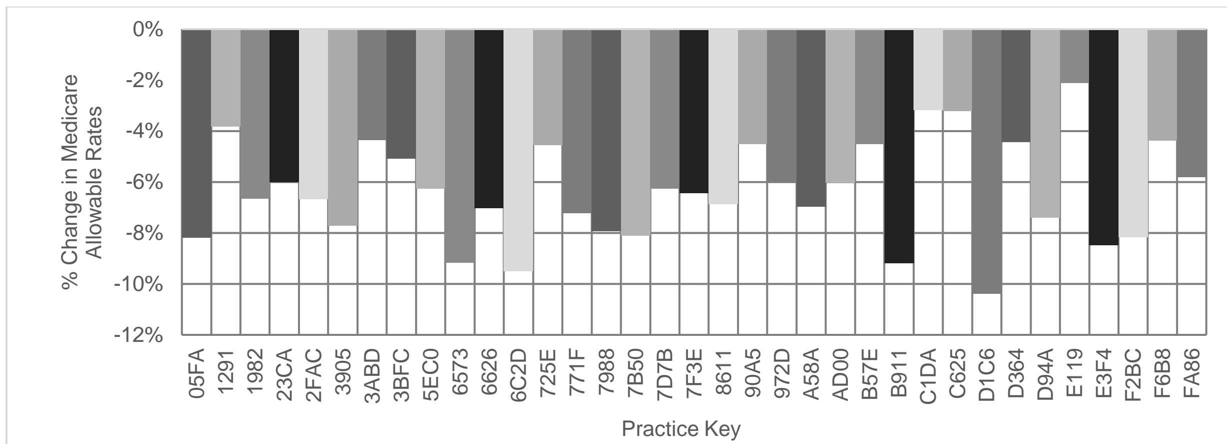

Figure 3. Practice-Specific Impact of the 2022 MPFS Proposed Rule

Outpatient Prospective Payment System

Conversion Factor

The OPPS conversion factor is updated based on the proposed year's Inpatient Prospective Payment System market basket increase, minus a multifactor productivity adjustment. This year, the overall increase is proposed to be an increase of 2.3%. The conversion factor is also impacted by budget neutrality adjustments for wage index and rural rate updates, as well as differences between estimated pass-through spending for drugs, biologicals, and devices for 2022, as compared to 2021. Budget neutrality adjustments decreased the conversion factor by 0.29%, resulting in a proposed conversation factor of 84.4570 (Table 12).

Current Conversion Factor	82.7970
Inpatient market basket increase (2.5%), minus 0.2% multifactor productivity adjustment	2.30%
Budget neutrality adjustments	-0.29%
Proposed 2022 Conversion Factor	84.4570

Table 12. Current and Proposed OPPS Conversion Factors

Changes to APC Weights

Payment rates for most services under OPPS are calculated using weights assigned to each Ambulatory Payment Classifications (APC), adjusted by a wage index assigned to each facility. Oncology specialties are impacted by changes in the conversation factor, as well as changes to APC weights.

Medicare Allowable =
*(APC Weight * 0.6 * Facility-assigned Wage Index + APC Weight * 0.4) *
Conversion Factor*

Separately payable drugs do not use this calculation; such drugs are calculated based on 106% of average sales prices (ASP) and do not include a geographic adjustment. Separately payable drugs have been excluded from this analysis.

Each year, CMS updates APC weights using geometric mean costs, calculated from actual changes billed for services under the APC, each provider's cost-to-charge-ratio, and a weight scalar ratio to achieve budget neutrality. Common reasons for updates to APC weight include:

- Changes in charge amounts or utilization of APC-contained services—typically this would be done using claims data from 2 years prior to the effective year; due to COVID, 2022 proposed weights were calculated using 2019 data.
- Changes in which service and item codes are included in an APC; for example, a low-cost drug may move from separately payable to bundled status.
- Targeted changes in methodology to address one or more APCs.

Based on our analysis of the OPPS rule and data, we do not believe that oncology services were subjected to targeted changes in methodology. Only one drug commonly used by oncology, J1453 (fosaprepitant injection), moved from separately payable to bundled status under drug administration APCs. The remainder of APC weight changes are assumed to be due to changes in charge amounts or utilization of APC-contained services.

Whereas RVUs for drug administration services decreased by 10.7% within the MPFS, OPPS APC weights for the same category increased 2.2%. All other categories billed under hospital cancer centers

increased between 0.6 and 0.7%, resulting in an overall 2.5% expected increase in payment rates, prior to geographic adjustments.

	2021 Final Rule APC Weights	2022 Proposed Rule APC Weights	% Change	2021 Final Rule Modeled Rates	2021 Proposed Rule Modeled Rates	% Change
Drug Administration	325	332	2.2%	$26,921	$28,076	4.3%
Imaging	27	27	0.6%	$2,234	$2,292	2.6%
Pharmacy (Status Changes)	31	31	0.6%	$2,568	$2,636	2.6%
Physician Services (E&M)	-	-	0.0%	$558	$0	-100.0%
Procedures	57	58	0.7%	$4,746	$4,875	2.7%
Other Medical Services	89	89	0.7%	$7,329	$7,527	2.7%
Radiation Services	471	474	0.6%	$38,998	$40,022	2.6%
Total - Hospital Outpatient	1,000	1,011	1.1%	$83,355	$85,428	2.5%

Table 13. APC Weight and Medicare Allowable Impact for Hospital Outpatient Departments, by Service Category (per 1,000 in current APC Weights)

Wage Index Updates

Medicare rates paid to specific hospitals are calculated using each hospital's assigned wage index. Updates to wage data and geographic reassignments can result in changes to hospital-specific payment rates. For 2022, most PracticeNET practices received between a negative 3% and positive 3% update to their 2021 wage index, impacting payment rates by between negative 2% and positive 2%.

340B-Purchased Drugs

Medicare currently reimburses drugs purchased under the 340B discount program at a modified rate of ASP minus 22.5%. CMS proposes to continue that policy unchanged for 2022. Separately-reimbursable drugs are excluded from this analysis.

Radiation Oncology Model

In September 2020, the Center for Medicare and Medicaid Innovation (CMMI) published a final rule that established the Radiation Oncology (RO) Model with a start date of January 1, 2021. The COVID-19 PHE lead to a delayed the start of the model until July 1, 2021, which was further delayed until January 1, 2022 due to a provision in the Consolidated Appropriations Act of 2021.

The proposed rule details both the RO Model's timing and design. Provisions include but are not limited to: a January 1, 2022 start date, a 5-year model performance period, revised discounts to the professional and technical components, a revision of the cancer inclusion criteria, and the adoption of an extreme and uncontrollable circumstances policy.

Radiation oncologists and radiation therapy centers selected for mandatory participation in the RO Model are expected to receive decreases of at least between 3.5% and 4.5%, due to payment "discounts" that the RO model will apply to episodes. Actual changes in reimbursement will depend on location, disease mix, treatment modalities employed by the practice, and baseline costs. RO Model practices will be eligible to receive baseline data from CMS with these details.

Hospital Specific Impact

OPPS impacts for PracticeNET hospitals range from between negative 2% and positive 5%, excluding quarterly changes to ASP (Figure 4).

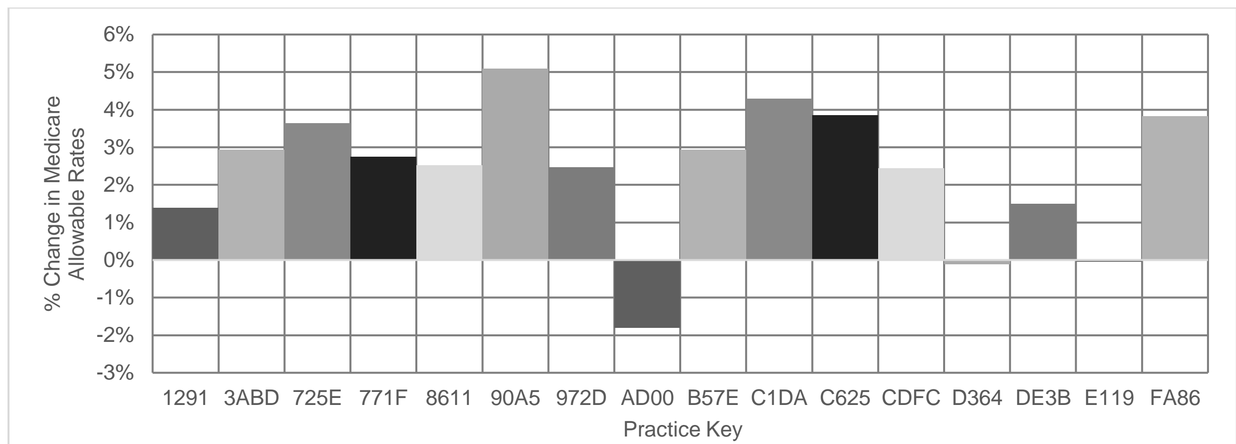

Figure 4. Hospital-Specific Impact of the 2022 OPPS Proposed Rule

Cumulative Impact of MPFS, OPPS, and Statutory Updates

In addition to the impact of MPFS and OPPS proposed rules, providers are currently facing two Congressionally mandated sequestrations, decreasing Medicare payments by 6%. A 2% sequestration, applied by the Sequestration Transparency Act of 2012, was suspended during the COVID-19 pandemic; the moratorium is set to expire on December 31, 2021. An additional 4% PAYGO sequestration—PAYGO was implemented by The Statutory Pay-As-You-Go Act of 2010—is the result of the $1.9 billion in spending in the American Rescue Plan Act of 2021.

Independent physician practices are impacted by negative updates to applicable RVUs for oncology services, the 3.75% decrease in MPFS conversion factor, and the two sequestration rates. The net change in reimbursement for multi-specialty, independent physician practices is estimated at negative 12.3% (Table 14).

	2021	2022	% Change
Drug Administration RVUs	794	710	-10.7%
Physician Services RVUs	1,244	1,2,70	2.1%
Radiation Services RVUs	806	742	-7.9%
Other RVUs	160	150	-6.3%
Total RVUs	3,005	2,872	-4.4%
MPFS Conversion Factor	34.8931	33.5848	-3.7%
MPFS Allowable Rates	100,000	92,090	-7.9%
2% Sequestration	-	-1,473	-
4% PAYGO Sequestration	-	-2,947	-
Total Medicare Reimbursement	100,000	87,670	-12.3%

Table 14. PracticeNET Model for Multi-Specialty, Independent Physician Practices (per $100 thousand in current reimbursement)

Hospital-based practices receive appropriately 30% of non-drug, oncology reimbursement from MPFS. They are impacted less by practice expense RVU changes, as the services they bill are predominately work RVU-based. They are impacted by the 3.75% decrease in the MPFS conversion factor but benefit from the 2% increase in the OPPS conversion factor. After application of the two sequestration rates, the net change in reimbursement for multi-specialty, hospital-based practices is estimated at negative 4.3% (Table 15).

	2021	2022	% Change
Physician Services RVUs	614	617	0.5%
Radiation Services RVUs	183	182	-0.3%
Other RVUs	63	52	-17.2%
Total RVUs	860	851	-1.0%
MPFS Conversion Factor	34.8931	33.5848	-3.7%
MPFS Allowable Rates	29,729	28,347	-4.6%
APC Weights	828	837	1.2%
OPPS Conversion Factor	82.7970	84.4570	2.0%
OPPS Allowable Rates	70,271	72,135	2.7%
Total Allowable Rates	100,000	100,483	0.5%
2% Sequestration	-	-1,608	-
4% PAYGO Sequestration	-	-3,215	-
Total Medicare Reimbursement	100,000	95,659	-4.3%

Table 15. PracticeNET Model for Multi-Specialty, Hospital-Based Practices (per $100 thousand in current reimbursement)

Due to the 6% in sequestration for 2022—sequestration applies only to the 80% of Medicare allowable rate paid by Medicare, making the net impact at 4.8%—all PracticeNET practices are negatively impacted by administrative and statutory updates for 2022. The extent of decreases depends on practice type (i.e., whether the practice is hospital-based and would receive 70% of non-drug reimbursement through OPPS), specialty-mix, and geographic location (Figure 5). If Congress were to waive the 4% PAYGO sequestration, some hospital-based practices would receive a slight increase.

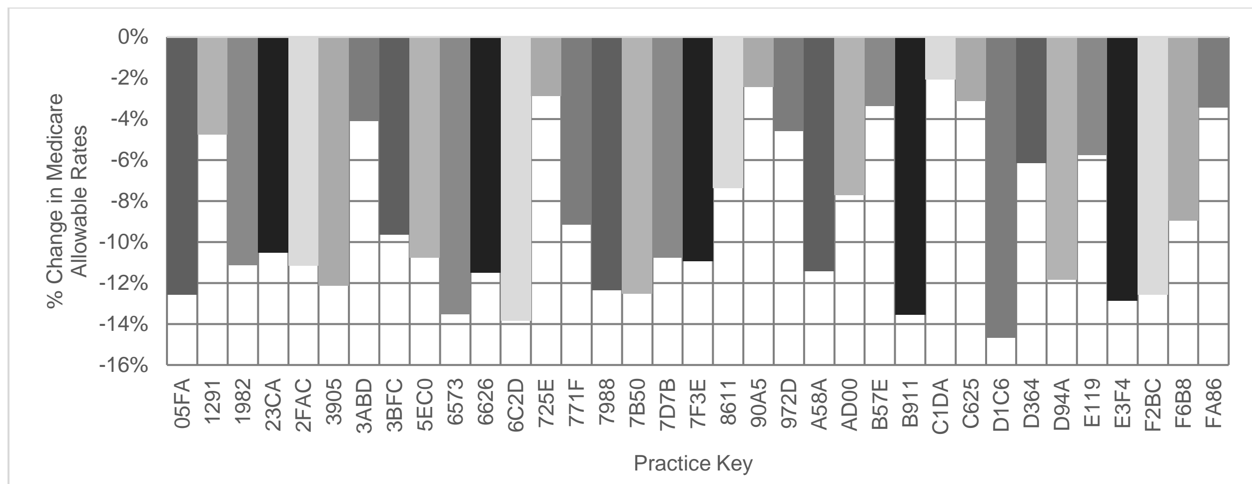

Figure 5. Practice-Specific Impact of the 2022 MPFS and OPPS Proposed Rules and Statutory Updates