AdvaMed
Advanced Medical Technology Association

ADVAMED'S COMMENTS ON UPDATES TO PRICES FOR EXISTING DIRECT PRACTICE EXPENSE INPUTS

In response to CMS's decision to update CY 2022 clinical labor inputs for practice expense (PE), the Advanced Medical Technology Association (AdvaMed) submitted comments to Administrator Chiquita Brooks-LaSure, outlining the adverse impact these long-delayed changes will have on physicians and the large reductions in Medicare payments for device-dependent and device-intensive procedures performed in the physician's office.

While we agree with the importance of ensuring appropriate payment for clinical labor, we are concerned about the severe and wide-ranging reductions to payment rates for office-based procedures and potential negative impact on patient access to care. We therefore believe more time is needed to evaluate the methodology for these updates and to align their timing with other, potentially interdependent updates to the practice expense methodology already in process.

Updates to Prices for Existing Direct PE Inputs

In the CY 2022 Physician Fee Schedule proposed rule, CMS proposes to update the per hour wage estimates used to determine clinical labor costs, one of the components of the direct practice expense (PE) inputs, which are directly associated with the performance of a procedure. These clinical labor inputs were last updated in 2002. To maintain budget neutrality in CMS's PE methodology, the proposed rule lowers the scalar used to adjust direct inputs by almost 25 percent – from 0.5916 in 2021 to 0.4468 in 2022. Because this decrease in PE inputs is only related to maintaining budget neutrality and not reflective of decreased cost of care, this reduction will result in lower payment rates for physicians' services with high supply or equipment costs, with minimal positive offset from the growth of labor costs.

For example:

- Radiation oncology services would see reductions between 10%-20%, significantly affecting physicians' ability to effectively treat cancer patients. Radiation oncology is a specialty with some of the highest-cost, advanced, and technology-intensive equipment across the health care industry. This technology is critical for providing precise, effective radiotherapy to patients, and the up-front capital investments made by physicians' practices are necessary to operate and rely on appropriate reimbursement through the PFS.
- Vascular surgery services would see reductions as high as 20%, which could limit Medicare patient access to these procedures in the non-facility setting. Decreasing payment for vascular services in the non-facility setting would likely shift these procedures to the hospital facility setting, limiting patients' access to timely, more cost-effective care and increasing burden on hospitals already strained by the ongoing COVID-19 public health emergency.
- Device-intensive urologic services performed in a non-facility setting would see reductions of greater than 10%, impacting access to care for Medicare patients, particularly those in rural and underserved areas. The 2020 American Urological Association Census found at least one practicing urologist in only 38% of all counties in

- the United States, and further found only 2% of practicing urologist work in rural communities. Reducing payment rates for device-intensive urologic procedures will potentially render it cost prohibitive for urologists to perform these procedures in a non-facility setting and further exacerbate this shortage in urological care.
- **In total, 101 codes would have a PE amount—which is intended to reflect both the direct (supplies, equipment, and labor) and indirect costs incurred to furnish a service—that does not cover the cost of the supplies alone.**

AdvaMed supports the development of payment policies that ensure access to high-quality and innovative health care services. This proposed update to Direct PE Inputs, which has been delayed for 20 years, may have a generally small impact for many health care providers, but other physicians whose essential services include high-cost supplies and equipment, such as those used for vascular surgery, radiology oncology, interventional radiology, and diagnostic testing facilities, will face significant decreases in payment rates. This dramatic decrease in reimbursements will impact health care providers' ability to deliver services to patients who need it most urgently, especially at a time when the COVID-19 public health emergency has already exacerbated the delivery of care.