APAPO Takes Aim at Declining Medicare Reimbursement

*One factor has been a particular problem since 2007.*

Any practitioner involved with third-party reimbursement is painfully aware of the downward spiral in payment rates. The national Medicare payment amount for the most commonly billed psychotherapy service, a 45-minute session, dropped from $98 in 2000 to $82 in 2012 – a 37 percent decrease adjusted for inflation.

Even so, there have been some high points along with the unfavorable developments related to Medicare payment for psychologists’ services since the federal government published the final regulation in 1998 defining the term “clinical psychologist” for purposes of Medicare participation (see timeline below).

**What factors into Medicare payment**

Medicare pays for all services based on a formula that values services relative to each other. The formula includes three main variables: work, practice expense and malpractice expense. The first variable – work – is intended to capture the time, skill and intensity involved in providing a service. Overall, the work values related to Medicare payment for psychological services have been stable in recent years. The third variable – malpractice – has a negligible impact on payment for psychological services.

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**Medicare Payment Timeline, 1998 to 2013 — 15 Years of Highs and Lows**

- **1998** - Final federal regulation defines the term “clinical psychologist” for Medicare participation and governs reimbursement for psychologists’ services.

- **2000** - National Medicare payment rate for a 45-minute psychotherapy session: $98

- **2002** - Medicare implements payment for new “health and behavior assessment and intervention” (H & B) billing codes developed by APA.

- **2004** - Congress postpones the “Sustainable Growth Rate” cut from taking effect and continues doing so every year through 2013 as advocated by the APA Practice Organization (APAPO).

- **2006** - Revised billing codes for psychological and neuropsychological testing are implemented. APA sought the codes to provide more appropriate reimbursement for psychologists who provide testing services.

- **2007** - New process and subsequent adjustments to Medicare calculation of “practice expense” result in reduced payments to clinical psychologists annually through 2013.
That leaves the portion of the payment formula that captures overhead costs – including rent, utilities, equipment, supplies and staff – known as “practice expense.” It’s the main culprit behind plummeting payment rates for psychologists over the past several years.

Under the payment formula, the Medicare program increasingly pays more for technology-driven services. These services involve high overhead costs, and therefore high practice expense (PE). By contrast, clinical psychologists’ services are highly cognitive and work-intensive with low overhead.

Over the years, Medicare has adjusted the weighting of the work and PE values in a way that increases the PE value’s impact on the total payment amount. The upshot: Psychologists are penalized by a statutory payment formula that increasingly favors services involving higher costs for equipment and supplies.

According to Avalere Health, LLC, a leading health care advisory firm, the recent precipitous decline in Medicare reimbursement for psychologists is largely attributed to changes in methodologies used by the Centers for Medicare and Medicaid Services (CMS) to develop the “practice expense” component of reimbursement.

Though other Medicare providers are in a similar situation under the payment formula, various changes in PE valuation over the last several years have disproportionately affected psychologists. The PE portion of payment for psychological services has been reduced every year since 2007.

Some high points

Yet over the past 15 years, there have been high points along with the unfavorable developments in Medicare reimbursement.

In 2002, CMS began paying for new “health and behavior assessment and intervention” (H & B) codes developed by the American Psychological Association (APA). The H & B codes apply to services that address behavioral, cognitive and biopsychosocial factors in the treatment or management of patients with physical health problems.
As such, they recognize psychologists’ services as encompassing health services delivery.

Four years later, revised billing codes for psychological and neuropsychological testing were implemented following successful advocacy by APA. The updated codes reflected who does the testing – a psychologist, technician or computer – and provided more appropriate reimbursement for psychologists who provide testing services.

Other developments in 2006 were not so auspicious. The Tax Relief and Health Care Act slashed Medicare reimbursement for mental health services by nine percent beginning in 2007. The APA Practice Organization (APAPO) immediately launched a grassroots advocacy campaign whose initial victory was the Medicare Improvements for Patients and Providers Act of 2007. That law included a provision increasing psychotherapy payments by five percent beginning in 2008. Thanks to sustained grassroots advocacy, combined with direct lobbying by representatives of APAPO, psychology gained this psychotherapy payment “restoration” every year until 2012.

Our advocacy agenda

Still, the bottom line is hardly rosy. Medicare payments to clinical psychologists have declined a cumulative 24 percent since 2007. Most of the decrease has resulted from changes in the process that CMS uses to value the practice expense component of services.

As evidenced by recent payment trends, the Medicare payment formula increasingly results in unfair and inappropriate reimbursement for clinical psychologists. APAPO and APA are advocating on both the regulatory and legislative fronts to gain necessary changes to the formula.

In addition to talking and meeting with the Centers for Medicare and Medicaid Services (CMS), Government Relations lobbyists and other APAPO representatives continue to work with key members and committees of Congress in anticipation of needing a legislative remedy.

Major elements of our ongoing advocacy include:

- Gaining meetings with top CMS officials, most recently another meeting with Jonathan Blum, deputy administrator of CMS
- Submitting formal comments to CMS in early September in response to the proposed Medicare fee schedule rule for 2014
- Securing regular meetings of APAPO lobbyists with key congressional health care committee members and staff
- Emphasizing Medicare payment issues in meetings during APAPO-PAC events
- Collaborating with Medicare payment experts to explore ways the formula could be modified slightly to ensure more appropriate reimbursement for psychologists
- Providing extensive input to congressional committee deliberations in response to invitations extended in 2013 by key House and Senate committees considering Medicare payment reforms
- Convening meetings of grassroots psychologists from throughout the U.S. with their elected officials on Capitol Hill about the need for Medicare payment reform. A record 330 visits to Capitol Hill took place during APAPO’s March 2013 State Leadership Conference.