

The impact of CMS's proposal to change the method used to calculate PE payments: Preliminary results

ISSUE: What is the effect of CMS's proposal to revise the method use to calculate practice expense (PE) payments for physician services?

KEY POINTS: The PE component of the physician fee schedule pays for the direct (nonphysician clinical staff, medical equipment, and medical supplies) and indirect (administrative staff, office supplies, and other equipment) expenses incurred in operating a practice. PE payments account for about half of the \$54 billion Medicare paid for services under the physician fee schedule in 2004. In June 2006, CMS issued a proposed regulation that substantially revises the method used to calculate PE payments.

ACTION: At this meeting, we will summarize CMS's proposal to change the method it uses to calculate PE payments and present a workplan for future analysis.

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