

MEDICARE BONUSES — DO YOU QUALIFY?

On December 8, 2003, the *Medicare Prescription Drug, Improvement, and Modernization Act of 2003* (“MMA”) was signed into law. MMA has numerous provisions which change, enhance and reform the existing Medicare law.



One of these changes in the law expanded the bonus program for physicians who practice in areas that have few physicians available. The Health Professional Shortage Area (“HPSA”) bonus payment process was revised and a new Physician Scarcity Area (“PSA”) bonus program was implemented as part of the law.

HPSA — The Social Security Act provided for bonus payments of 10% for physicians who furnish covered medical services in any Health Professional Shortage Area. A HPSA is an area, either urban or rural, that is designated as having a shortage of healthcare professionals. Prior to the passing of the MMA, physicians had to indicate that they provided care in an HPSA by use of a specific modifier. MMA eliminated the burden of adding modifiers to the codes and allows for HPSA bonuses to be paid automatically. The only HPSAs in New Jersey are located in Essex, Hudson and Passaic Counties.

PSA — MMA established a new five-percent (5%) bonus payment paid to physicians for services rendered in geographic areas designated as PSAs effective January 1, 2005. Physician Scarcity Area designations are based on the lowest primary care and specialty care ratios of Medicare beneficiaries to active physicians in every county. Medicare will automatically pay this new bonus on a quarterly basis without the need for a modifier on the claim for services provided in specific zip codes. In November of 2004, Medicare posted the zip codes for which both the primary care and specialty bonuses will automatically be paid. The primary care and specialty zip codes are can be found by visiting the Centers for Medicare and Medicaid Services website.

In some cases, a service may be provided in a county that is considered to be a PSA, but the zip code is not considered to be dominant for that area. In these cases, the bonus payment cannot be made automatically and the physicians will need to include a modifier of AR to reflect a physician service provided in a PSA. Follow the instructions on the CMS website to determine if you need to "self-designate" your claims.



Key points to remember regarding the PSA bonus are as follows:

- Medicare will pay a five percent PSA bonus on a quarterly basis, and the bonus will be based on what Medicare actually paid not on the Medicare-approved payment amount. The bonus is paid only on the professional component of diagnostic services, not the technical component.
- Payment will be based on where the service is performed and not on the address of the patient.
- The PSA bonus will be paid on services rendered on or after January 1, 2005 through December 31, 2007.
- Only the provider designations of General Practice (01), Family Practice (08), Internal Medicine (11), and Obstetrics/Gynecology (16) will be paid the bonus for the zip codes designated as primary care PSAs. All other physician provider specialties will be eligible for the specialty physician scarcity bonus for the zip codes designated as specialty PSAs.
- Dentists, chiropractors, podiatrists, and optometrists are not eligible for the physician scarcity bonus as either primary care or specialty physicians.
- Services submitted with the AR modifier will be subject to validation by Medicare.

For more information, visit the Centers for Medicare and Medicaid Services website at www.cms.hhs.gov/providers/bonuspayment or contact your local carrier for assistance.

Please do not hesitate to contact either Deborah Mathis, CPA, CHBA or Michael S. Lewis, MBA, CMPE with our Healthcare Services Group if you have questions or need additional information at 732-349-6880.

ABOUT COWAN, GUNTESKI & COMPANY

With more than fifty years of combined experience, our Healthcare Services Group is specially trained to help you find solutions to the increasing challenges in healthcare. Physicians are continually trying to find creative ways to improve efficiency while still maintaining a high standard of care for their patients. As consultants and accountants we are well positioned to provide you with the tools you need to make financial improvements in your practice without sacrificing quality.

Our team of professionals includes a Certified Healthcare Business Consultant, with proven training and expertise in the needs of physicians, as well as a Certified Medical Practice Executive with “hands-on” experience in medical practice management. We have extensive experience working with sole proprietorships, group specialty practices, large multi-specialty practices, IPAs, hospitals, and other healthcare entities. As your advisors, we will bring a unique prospective to the engagement focused on helping you achieve your personal and professional goals. Please visit our website at www.cowangunteski.com for more information on the services provided by our Healthcare Services Group.