

What Sequestration Means to Your Practice

Our leaders in Washington originally passed the sequester as part of the Budget Control Act of 2011 (BCA), aka the *debt ceiling compromise*. It was designed to force the hand of the Joint Select Committee on Deficit Reduction to come to a deal to cut \$1.5 trillion over 10 years. If the committee had done so, and Congress had passed it by December 23, 2011, then the sequester would have been averted. Our representatives were not able to manage a deal, and so the sequester was essentially put into action. However, while the BCA originally dictated that the sequester cuts would take effect at the beginning of 2013, adding the sequester with Bush tax cuts and the payroll tax cut became a politically untenable option known as the *fiscal cliff*. Facing this unpopular problem, our leaders agreed to avert the cliff by delaying the sequester until March 1, 2013. Not exactly a long-term solution.

How does this affect our lives as retina specialists? To start, all Medicare services will be reduced by 2%; thus, reimbursements for all office visits and procedures will be lowered. The sequester also significantly affects the finances of physician-administered drugs under Medicare Part B. The focuses of our practices have dramatically shifted with the availability and broad use of anti-VEGF drugs. These medications are now the primary therapy for AMD and vein occlusions, and are also gaining traction in the treatment for diabetes. Using these medications in our practices is no small task. To start, many practices have had to invest in structural changes, building out injection rooms and making other changes to accommodate frequent patient visits. In addition, practices must track inventory and drug usage,

verify patient insurance to guarantee payment, and carefully track the receipt of primary insurance payments and the secondary insurance payments that accompany Medicare claims for each and every vial of drug used. Failure to receive full payment for vials of the drug can be extremely costly to say the least. Worse, sometimes practices may be completely unaware of deficits in payments. Fiscally responsible practices spend significant overhead dollars to administer these medications on a daily basis.

Currently, Medicare Part B reimburses physicians for the cost of the drug plus an extra 6% to offset the fixed costs of handling the drug within our practices. The sequester, however, changes the reimbursement model. Under the new regulations, physicians will be reimbursed for the cost of the drug but the extra 6% will be reduced to 4.3%. *The New York Times* and other publications have touted this as a simple 1.7% decline, less than the 2% Medicare cut. But the correct calculation shows that this is actually a 28% reduction (1.7/6) in fees paid to our offices to handle the costly drugs. Some retina practices, already struggling to keep track of the utilization of these medications, may find that this squeezes their margins toward the red and forces them to reconsider their treatment options to primarily off-label therapy such as bevacizumab (Avastin, Genentech) or generic



triamcinolone.

If you haven't already, we suggest you take a sharp look at your practice infrastructure to see what effect sequestration will have on your practice. ■

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