

## Medicare 2009 - Conversion Factor and Budget Neutrality Adjustment

-12%

**2007 & 2008 Payment Formula** = [(RVU work x GPCI work x **budget neutrality work**) + (RVU practice expense x GPCI practice expense) + (RVU malpractice x GPCI malpractice)] x conversion factor

For **2009**, CMS applied the budget neutrality factor directly to the conversion factor using the following formula:

**2009 Payment Formula** = [(RVU work x GPCI work) + (RVU practice expense x GPCI practice expense) + (RVU malpractice x PCI malpractice)] x (conversion factor *after* budget neutrality factor is applied)

-6% with MIPPA<sup>[1]</sup>  
offset of 1% =  
net approx. -5%

As a result of this change in policy, the approximately 1% increase that was budgeted by Congress for 2009 will not have the expected positive impact for some providers.

Here is how the 2009 Part B conversion factor was calculated:

2008 conversion factor	\$38.0870
2009 conversion factor update per Congress	+1.10%
2009 conversion factor budget neutrality adjustment due to DRA impact	+0.08%
Budget neutrality required due to E & M increase	-6.41%
2009 conversion factor	\$36.0666

1. *MIPPA = Medicare Improvements for Patients and Providers Act of 2008*