Equipment Utilization Rate Changes Adversely Affect Patients and Radiologists

**Background:** In recent years, Congress, the Medicare Payment Advisory Commission (MedPAC) and the Centers for Medicare and Medicaid Services (CMS) viewed changes to the equipment utilization assumption rate as an integral way to control advanced diagnostic imaging volume and spending. Defined as the amount of time during which an imaging center is open to patients and “expensive equipment (priced above $1 million)” is actually in use during a 50 hour work week, the equipment utilization rate is one figure in a larger formula that helps calculate practice expenses reimbursed under Medicare. Higher equipment utilization assumption rates result in lower technical component Medicare reimbursement for individual scans. The technical component of advanced diagnostic imaging services is defined as payment from Medicare for “overhead” expenses, including the cost of medical supplies and equipment, as well as non-physician personnel. Medicare also reimburses radiologists for the professional component of advanced diagnostic imaging, or payment for diagnosing images for the presence of disease or patient trauma.

Congress and regulatory agencies consistently relied upon a flawed 2006 MedPAC survey analyzing MRI and CT utilization rates in six urban areas in support of changing the equipment utilization rate. Yet, this survey failed to employ a representative sample and was never intended to be used in support of changes to Medicare reimbursement policies. April 2006 MedPAC meeting transcripts state that “this survey is a first step in examining the use of imaging equipment. It was not nationally representative and it was not designed to determine equipment use rates. Its intent was to assess the feasibility of getting use rate data from the survey. It shows that the [sic] short survey instrument can be used to collect information on how frequently equipment is operating while achieving a high response rate...I do want to caution that this survey is not representative of anything.”

Although most survey respondents reported that imaging equipment was in use more than 25 hours per week, the data was based on a work week when the practices were open far more than 50 hours. While many imaging centers and radiology practices do provide early morning, late evening, and even weekend office hours to accommodate patient schedules, a typical facility, especially rural practices, operate imaging equipment closer to 50 percent of the time the practice is open for business.

Despite the flawed survey data, in 2009 MedPAC recommended that the equipment utilization assumption rate be increased from 50 percent to 90 percent for MRI, CT, and PET scans. This new, “normative” standard assumed that costly imaging machines were in use close to full capacity (45 hours per week).

This recommendation initiated a cascade of legislative and regulatory events:

**2010 Patient Protection and Affordable Care Act (PPACA)-** Passage of PPACA increases the equipment utilization assumption rate from 50% to 75% effective January 1, 2011. Enactment of this law preempts attempts by CMS, through the 2010 Medicare Physician Fee Schedule Final Rule, to increase the rate to 90% over a period of 4 years. The Obama Administration sought a 95% equipment utilization rate.

**2011 Trade Adjustment Assistance (TAA) Program-** Initial drafts of the South Korea Free Trade Agreement prepared by House Ways and Means and Senate Finance Committees attempt to offset the $400 million cost of reauthorizing the Trade Adjustment Assistance (TAA) program by increasing the equipment utilization assumption rate to 90%. Following direct lobbying from the American College of Radiology (ACR) and the Access to Medical Imaging Coalition (AMIC), Senator John Kerry (D-MA) removes the changes to the equipment utilization assumption as an offset for TAA.
2011 Debt Ceiling and Supercommittee Negotiations- Documents referenced during the debt ceiling negotiations between Vice President Joe Biden and House Majority Leader Eric Cantor cite changes to the equipment utilization assumption rate as part of a broader solution to lessen the federal debt. House Ways and Means Democrats circulate a policy document which also references changes to the assumption rate as a way to reduce Medicare spending. The Biden/Cantor document claims changes to the equipment utilization rate save $800 million, while House Ways and Means Democrats only estimate savings at $400 million. These same documents are utilized by the Supercommittee, as well. Ultimately, changes to the equipment utilization rate are not enacted.

2012 H.R. 3630, the Middle Class Tax Relief and Job Creation Act- Changes to the equipment utilization assumption rate are rumored to be in the final version of H.R. 3630 produced by the joint House and Senate Conference Committee. No cuts to diagnostic imaging are included in this bill which is enacted into law in February 2012.

Obama Administration Fiscal Year 2012 and Fiscal Year 2013 Budgets- President Obama’s FY 2012 and FY 2013 Budgets recommend increasing the equipment utilization assumption rate to 90%. Although not enacted by Congress, Obama’s 2012 budget estimated that changes to the equipment utilization assumption rate save $400 million. The Fiscal Year 2013 Budget, however, cites savings of $800 million associated with a new, 90% utilization rate. ACR is puzzled by the potential increases in savings despite the availability of MedPAC data demonstrating that advanced diagnostic imaging utilization has decreased.

2012 H.R. 8, the American Taxpayer Relief Act – Legislation to address the “fiscal cliff,” a combination of mandatory tax increases and spending cuts which threatened the American economy, included provisions to temporarily prevent physicians from experiencing a 26.5% cut attributed to the flawed Sustainable Growth Rate (SGR) formula through December 31, 2013. The price for temporarily postponing the latest SGR cut cost the federal government approximately $25 billion over 10 years. To pay for a portion of this temporary patch, the American Taxpayer Relief Act increased the equipment utilization assumption rate from 75% to 90% effective January 2014.

Issue and Policy Recommendation: ACR opposed efforts by Congress and the federal government to cut the technical component through an increase in the Medicare equipment utilization assumption rate. Data compiled from a 2009 Radiology Business Management Association (RBMA) survey, as well as a more robust joint ACR, AMIC, and RBMA survey in 2010 conclusively illustrate that the utilization assumption rate is closer to 50 percent, rather than the 90 percent threshold. The 2009 RBMA data survey, which analyzed 261 machines in 46 centers, concluded that imaging equipment in rural regions of the country is in operation 48 percent of the time an office is open for business, while equipment in non-rural areas operates 56 percent of the time a center is open for business. Overall, the 2009 RBMA survey found a median equipment utilization rate of 63%. The 2010 joint ACR, AMIC, RBMA survey, which analyzed 2,843 machines in 720 facilities, found imaging equipment in rural regions of the country in operation 38 percent of the time an office is open for business, while equipment in non-rural areas operates 48 percent of the time an office is open for business. Overall, the 2010 joint survey found a median equipment utilization rate of 45 percent.

- In lieu of further, broad cuts to advanced diagnostic imaging services, Congress should instead implement an imaging utilization management policy.

For more information, please contact ACR’s Josh Cooper at jcooper@acr.org, Rebecca Spangler at rspangler@acr.org, or Chris Sherin at Csherin@acr.org.