

MDs Dodge 10% Pay Cut, But Maybe Not for Long

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In what has become a year-end tradition, last-minute congressional action has staved off deep cuts to the Medicare physician fee schedule.

The 2007 version means physicians won't feel the pinch of a 10.1% pay cut under Medicare; instead, they will get a 0.5% increase through June 30, 2008, thanks to House and Senate passage of S.

2499. At press time, the legislation was expected to be signed by President Bush.

But unless Congress acts again this year, even deeper cuts in payments to physicians will occur at midyear.

Dr. Sharad Lakhanpal, chair of the government affairs committee at the American College of Rheumatology, called the situation a "major fiasco."

"The ACR is going to make a sincere effort to try and get a permanent fix. February 25 and 26 are the ACR's advocates

days in Washington, D.C. We're trying to bring as many rheumatologists and patients who could be good spokespersons," he said. The board of directors will also plan another lobbying day in May, in advance of the July 1 fee cut. "I hope other medical organizations will do that too."

He said that his practice of nine rheumatologists in Dallas had already considered refusing any new Medicare patients in advance of this most recent reprieve. And this 6-month "breathing

room" period and the 0.5% pay increase hardly help. "Of course you always look for positives—the last few years [lawmakers] were just freezing it. But it's almost comical that they have given us a 0.5% increase. ... The raise of 0.5% is even less than the rate of inflation," he said.

Robert Doherty, senior vice president for governmental affairs and public policy at the American College of Physicians, agreed. Many practices are small businesses and it's difficult to make a business plan for the year when physicians can only calculate Medicare revenues for the first 6 months, he said.

And if Medicare payments make up 30%-40% of a practice's revenues, the impact can be substantial.

By law, officials at the Centers for Medicare and Medicaid Services must adjust physician payments according to the sustainable growth rate (SGR) formula, which calculates physician payment based in part on the gross domestic product. Medical professional societies have been lobbying for years to eliminate the formula, which they argue does not adequately account for rising practice costs.

Since the legislation passed at year-end did not deal with the SGR, physicians will face even more significant pay cuts in July and again in January 2009 unless Congress acts over the next few months.

Members of the House worked to address the scheduled physician pay cut under Medicare and other health reforms last August. At that time, the House passed a bill that would have given physicians a 0.5% payment update for 2008 and 2009. In addition, the bill would have provided a new physician payment structure with a separate conversion factor for six service categories. That legislation could not gain traction in the Senate.

This time around, Congress passed a scaled-down package that could pass both chambers overwhelmingly and would not encounter a veto threat.

The House democratic leadership expressed disappointment that the bill did not address some of the issues included in the August bill, such as eliminating overpayments to Medicare Advantage plans. The leadership has pledged to continue negotiations on more comprehensive legislation this year.

In addition to halting the physician pay cut for 6 months, the recently passed legislation extends the Physician Quality Reporting Initiative program for 2008. The program, which launched in July 2007, allows physicians to earn up to 1.5% of their total allowed Medicare charges if they report on certain quality data. This program could be of more interest to physicians this time around, Mr. Doherty said, since it's an opportunity for them to increase their revenues from Medicare.

The bill also extends the Special Diabetes Program through Sept. 30, 2009. The program was established to fund type 1 diabetes research, and type 2 diabetes treatment and prevention for Native Americans and Alaska Natives.

The bill will also extend for 6 months provisions to aid physicians practicing in shortage areas. ■



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