Physicians Get 6-Month Reprieve From Pay Cut

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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.

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

"It creates a tremendous degree of instability in the system," said Robert Doherty, senior vice president for governmental affairs and public policy at the American College of Physicians.

Many physician practices are small businesses, and it's difficult for physicians to make a business plan for the year when they can only calculate Medicare revenues for the first 6 months. Mr. Doherty said, adding that if Medicare payments make up 30%-40% of a practice's revenues, the impact can be substantial.

Officials at the American Medical Association also expressed disappointment with the legislation.

"We strongly urge Congress to break the tradition of short-term interventions that are not funded and fail to chart a course for replacing a flawed payment formula that is a barrier to improving quality and access to care for seniors," Dr. Edward Langston, AMA board chair, said in a statement.

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, however, Congress passed a scaled-down package that could pass both chambers overwhelmingly and would not encounter a veto threat from President Bush.

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.

Medical professional societies will spend the next few months working with members of Congress to try to avert the scheduled cut from taking effect in July. For its part, ACP is planning a new grassroots campaign to let members of Congress know what physicians are doing now as a result of the unpredictable Medicare payment situation. These anecdotes won't be hypothetical, Mr. Doherty explained, but will describe what physicians are doing today.

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