Here We Go Again: Steep SGR Cut Looms

Frustration runs high among physicians as temporary fix of Medicare payment system ends.

BY MARY ELLEN SCHNEIDER

Physicians are once again waiting for Congress to avert a 27% Medicare physician fee cut scheduled to take effect on March 1.

The pay cut was originally scheduled to begin Jan. 1, but after much back-and-forth in Congress, the House and Senate passed the Temporary Payroll Tax Cut Continuation Act of 2011 on Dec. 23, which included an extension of 2011 Medicare physician-payment rates through the end of February. President Obama quickly signed the bill into law.

Lawmakers also agreed to appoint a 20-member House-Senate conference committee to work on a longer-term plan to address the Medicare physician pay issue, along with a full-year extension of the Social Security payroll tax holiday and federally funded unemployment insurance benefits.

The agreement followed several days of brinksmanship by leaders in the House and Senate. It started on Dec. 13, when the House passed a bill that would have replaced the 27% Medicare fee cut with a 1% pay raise for physicians for 2 years. Despite bipartisan support for the so-called doc fix, other controversial provisions in the bill kept it from gaining traction in the Senate. A few days later, the Senate approved their own version of the bill, which extended the payroll tax holiday and unemployment benefits for 2 months and postponed any Medicare pay cuts until the end of February.

The House initially rejected the idea of a short-term fix, and even passed a resolution to formally disagree with the legislation passed by the Senate. But intense public criticism led House leaders to agree to the short-term plan and use the first 2 months of this year to negotiate a compromise.

Physicians remain furious with Congress for its inability to find a long-term solution in 2011.

"There's a tremendous degree of frustration out there," said Robert Doherty, senior vice president for government affairs and public policy at the American College of Physicians. "If Congress is expecting physicians to applaud them for agreeing to a 2-month extension, they're going to find a lot of silence from the physician community."

Dr. Jeffrey Cain, a Denver family physician and president-elect of the American Academy of Family Physicians, said that the last-minute legislation was no way to conduct the nation's business, and that it failed to meet the needs of physicians and patients. "Every time we kick the can down the road and we fail to address the issue, we put family medicine and – more importantly – the health of millions of Americans at risk," Dr. Cain said.

Frustration is especially high because members of Congress had signaled early in 2011 that they were interested in crafting a long-term solution to replace the Sustainable Growth Rate formula, the statutory formula that ties spending on physicians' services to the gross domestic product. In March 2011, leaders in the House Energy and Commerce Committee wrote to several physicians' groups asking for proposals on how to reform the physician payment system and move to a new system that "reduces spending, pays providers fairly, and pays for services according to their value to the beneficiary."

The letter emphasized the need to act quickly in developing a long-term solution, or risk the "unwanted choice of extending a fundamentally broken payment system or jeopardizing access to care" for Medicare beneficiaries. "We cannot let either happen," the lawmakers wrote.

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DR. CAIN

It's too soon to tell what Congress will do next, but both Mr. Doherty and Dr. Cain agreed that a long-term solution that would replace the SGR is unlikely right now. Instead, AAFP officials are pushing for a 2- to 3-year patch that would give lawmakers time to enact a permanent SGR fix.

In a worse-case scenario, physicians could be facing a situation similar to what happened in 2010, when Congress passed a series of temporary patches during the first half of the year, Mr. Doherty said. That situation could become a reality if lawmakers once again are deadlocked on the larger legislative package. "To a great extent, we're once again going to be held hostage to negotiations over a broader package on issues that really have nothing to do with the SGR." ■

Growth in Health Spending Continues Historic Decline

BY ALICIA AULT

FROM HEALTH AFFAIRS

WASHINGTON – The historically low growth in health spending in 2009 continued through 2010, driven largely by the recession, officials from the Centers for Medicare and Medicaid announced Jan. 9.

Health spending in the United States grew 3.9% in 2010, to a total of $2.6 trillion or $8,402 per person. That was a 0.1% rise from 2009, which was already at an all-time low growth rate, according to the CMS.

As the nation's economy slumped throughout 2009 and 2010, consumers cut back on elective surgical procedures, emergency department visits, physician office visits, and prescription drug use, according to the officials.

"Even though the recession officially ended in 2009, its impact on the health sector appears to have continued into 2010," said Anne Martin, an economist with the CMS.

Employers shifted the costs of insurance and care to employees. This, in turn, drove up out-of-pocket spending in 2010.

But overall, consumers spent only 1.8% more out-of-pocket in 2010 than they had in 2009, which was a slow rate of growth when compared with historical patterns, Ms. Martin said.

Consumers reacted to cost-shifting by choosing health insurance plans that offered lower premiums and higher deductibles, and by reducing, where they could, use of personal health care services. Medical prices and the U.S. population remained relatively stable before, during, and after the recession, and yet, personal health spending fell, indicating a willful pullback.

"The slower growth in personal health care spending was mainly driven by the slowdown in the use and intensity of health care goods and services," Ms. Martin said.

The agency documented a shrinkage in use of hospital care and physician services as compared with historical levels.

Growth in prescription drug spending dropped to the slowest rate ever recorded, and growth in spending on physician and clinical services was historically low, at 2.5% in 2010, compared with 3.3% in 2009.

Hospital spending grew only 5% to $814 billion in 2010, compared with 6% in 2009. There was a decline in median inpatient admissions, and slower growth in emergency department visits, outpatient visits, and outpatient surgeries.

Overall spending on physician and clinical services – totaling $515 billion in 2010 – accounted for 20% of total health spending. As consumers went to their doctors less frequently, fewer prescriptions were written. And, many of the prescriptions that were dispensed were for less expensive generic drugs. These and other factors led to the slowest rate of growth in prescription drug spending ever recorded – a 1% increase from 2009 to $259 billion. The data were published in the journal Health Affairs (Health Aff. 2012 [doi: 10.1377/hlthaff.2011.1135]).

Growth in spending on physician and clinical services also was historically low, growing 2.5% in 2010 as compared with 3.3% in 2009, according to Ms. Martin.

Meanwhile, as employers and private insurers reduced the amount they spent on health care, the federal government's share of health spending rose – to 29% or a total of $742 billion in 2010. The rise in federal spending also was attributed to federal subsidies to state Medicaid programs. Medicaid accounted for about 15% of the nation's health bill in 2010, at $401 billion.

In 2009, the federal government spent 22% more than it did in 2008; in 2010, spending rose by almost 9%. That compares with a 10% decrease in spending by states and localities in 2008, and a 4% increase in 2010.

Medicare saw an increase in enrollment, both in the Medicare Advantage managed care program and traditional fee-for-service Medicare.

The increase in traditional enrollment reversed a several-year pattern of decline. Overall, Medicare spending increased 5% in 2010 to $524 billion, but per-enrollee spending did not rise as quickly as it had in 2009.

This is because there was a big reduction in payments for certain types of home health services, but also because of low use of physician services.

Small increases in physician fees in 2009 and 2010 also kept a lid on Medicare spending.

Those increases were instituted by Congress in response to cuts that would otherwise have been required by Medicare's Sustainable Growth Rate formula.

The Affordable Care Act had a negligible impact on overall spending, perhaps accounting for less than 0.1% of the slowdown, according to the CMS economists. This is because few provisions were in effect in 2010, and some, such as coverage for patients with preexisting conditions, did not enroll as many people as had been expected. ■

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