MedPAC Urges 1.1% Boost To Physician Fees in 2010

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WASHINGTON — Medicare advisors unanimously voted to recommend increasing physician fees by 1.1% next year, while expressing dismay that their June 2008 recommendation to boost primary care pay has not yet been acted upon.

The Medicare Payment Advisory Commission—better known as MedPAC—is charged with advising Congress on setting payment rates for physicians, hospitals, and other health care providers. Its recommendations are included in twice-yearly reports issued in March and June.

Under current law, Medicare physician fees are due to be reduced by 21% in 2010. MedPAC initially considered recommending that physician fees be updated by the projected change in input prices, minus an overall productivity goal that was established by the U.S. Bureau of Labor Statistics. The formula translated into a 1.1% increase, but many MedPAC commissioners were uncomfortable with the language and the possibility that it could be used to reduce fees.

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Some even suggested that the panel should be considering a larger increase than 1.1%, but Chairman Glenn Hackbarth said he would not vote to approve a higher number, partly because Medicare has a statutory obligation to keep beneficiaries' Part B premiums for physician services in check. As fees rise, so do Part B premiums. And even small increases in physician fees can translate into billions more in Medicare spending, at a time when Congress is struggling to revive the faltering U.S. economy.

There seems to be no indication that Medicare reimbursement policy is leading to access problems for beneficiaries, according to reports from MedPAC staff members. A survey conducted in the early fall of 2008 found that 76% of beneficiaries said they "never" had a delay in getting an appointment for routine care, and 84% never had a delay when seeking an illness-related appointment. This is better than what has been reported by privately insured patients, said MedPAC staff member Cristina Boccuti.

Medicare fees are about 80% of private pay fees, she said.

Commissioner Nancy Kane, an associate dean of education at the Harvard School of Public Health in Boston, said that the 1.1% increase in fees would not be enough for primary care. "Primary care is in a huge state of crisis," said Ms. Kane. She asked about the progress of the federal medical home demonstration project, and expressed concern that it could be 7-10 years before Medicare rewarded physicians for participation in medical homes. "That may not be fast enough," she said, adding that the demonstration is a "drop in the pond. We need to move a whole ocean."

Mr. Hackbarth pointed out that MedPAC had recommended the pilot project to help move the process along, but acknowledged that "we're talking about a significant amount of time, still." He said he expected that interim data might support quicker action.

The panel also voted unanimously to again include its June 2008 recommendation that Congress establish a budget-neutral payment adjustment for primary care services.

Primary care could get another boost if Congress follows MedPAC's recommendation to change the equipment use rate for imaging machines that cost more than $1 million. Currently, CMS pays physicians based on an estimate that magnetic resonance imaging, computed tomography, and positron emission tomography are used an average 25 hours per week, but data suggest that 45 hours per week is a more accurate and better target, said MedPAC staff member Ariel Winter. The goal is to push physicians to be more efficient with use of the devices. Adopting the new rate would reduce the practice expense relative value unit by almost 8%.

That change would provide a savings of about $900 million annually, said Mr. Winter. The money could be reallocated to primary care pay and other physician services, if the recommendation is adopted.

MedPAC commissioners also voted to increase hospital payments by the projected increase in the market basket, and to reward high-quality, high-performing facilities with a larger, unspecified increase.

They agreed to reduce the indirect medical education (IME) payment by 1%, which would put it at 4.5% per 10% increment in the resident:bed ratio. MedPAC staff said that the IME payment was a roughly $3 billion subsidy with little required accountability in return. The staff also said that the current rate was set at more than twice the impact of teaching on hospital costs, allowing academic centers to reap higher profits.

The American Hospital Association said it was happy with the vote to increase payments overall. But the IME reduction would "negatively affect the education, clinical care and research missions of teaching hospitals, including their ability to train high-quality physicians," said AHA Vice President for Policy Don May in a statement.

MedPAC recommended that ambulatory surgery center payments increase by 0.6% in 2010, but also that the facilities be required to report on cost and quality data so that the CMS can better evaluate the adequacy of payments. ■

POLICY & PRACTICE

CMS Launches Enrollment Site

A new, Internet-based system will allow physicians and nonphysician practitioners to apply for Medicare enrollment, check on their applications, make changes, and view their information on file. The Provider Enrollment, Chain and Ownership System is now available to physicians in 15 states and the District of Columbia, and the Centers for Medicare and Medicaid Services said it would expand availability to all states over the next 2 months. The online PECOS can process a provider's enrollment application up to 50% faster than can be done with paper, CMS said. Providers also are required to report certain changes in their enrollment information, such as practice location, and PECOS will allow them to make these changes much faster, CMS said.

FDA Approvals Increase

The FDA approved 21 new molecular entities and 4 new biologic drugs in 2008, compared with 17 NMEs and 2 biologics in 2007. Four of the 2008 approvals came in December. In 2006, the FDA approved 22 new drugs and biologics. The agency has increased the annual number of novel therapies approved in recent years but is still failing to meet statutory deadlines for reviewing and approving products. FDA said it did not meet the 2008 target of reviewing 90% of approval applications within the time limits set by law. Many of the delays were attributable to resource constraints, the agency explained. There have been 800 new people hired by FDA to review drug and biologic applications, which should help reduce delays by the second half of 2009, according to analyst Ira Loss at the firm Washington Analysis. But delays may persist for new diabetes therapies and opioids, he said, noting that the potential for cardiac toxicity and abuse hangs over those products.

Coverage Gaps in Hospitalizations

Interruptions in Medicaid coverage are associated with a higher rate of hospitalizations for conditions that often can be treated in an ambulatory care setting, according to a study in the Annals of Internal Medicine. Researchers in California found that adults' increased risk for hospitalization for conditions including asthma, diabetes, and hypertension is highest in the first 3 months after an interruption in Medicaid coverage. The authors suggested that when states require enrollees to demonstrate eligibility frequently, the Medicaid programs see increases in hospitalizations for the common health conditions. "Although states may attempt to save money in the short term by dropping Medicaid coverage for those who cannot keep up with frequent reporting requirements, this study shows that disruptions in coverage come at the risk of increased hospitalization for conditions that can typically be treated in a less expensive primary care setting," said lead author Dr. Andrew Bindman, professor of medicine at the University of California, San Francisco.

E-Rx Systems Boost Savings

Electronic prescribing systems that allow doctors to select lower cost or generic medications can save $845,000 per 100,000 patients per year and possibly more, according to a study funded by the Agency for Healthcare Research and Quality. The researchers examined the change in prescriptions written in community practices before and after two Massachusetts insurers launched e-prescribing systems. Although they found that the doctors prescribed electronically only 20% of the time—generally relying on traditional prescription pads—those who used e-prescribing with formulary support increased generic prescriptions by 3.3%. "Our results likely represent a conservative estimate of the potential savings," said lead study author Dr. Michael Fischer of Brigham and Women's Hospital in Boston. "As doctors e-prescribe more frequently, the amount saved could increase dramatically." Physicians who wrote electronic prescriptions were slightly younger and more likely to be female than those who did not.

PhRMA Revises Ad Guidelines

The Pharmaceutical Research and Manufacturers of America recently advised drug makers to state when actors portray medical professionals in direct-to-consumer drug advertisements and to acknowledge any compensation given to real medical professionals in ads. In addition, the new, nonbinding guidelines support the inclusion of "black box" warnings in the ads, and reinforce that companies shouldn't promote off-label uses. Rep. John Dingell (D-Mich.), who has led investigations into direct-to-consumer ads, commended PhRMA for the new guidelines but noted that the organization hasn't endorsed a 2-year prohibition on such ads for newly approved drugs, as recommended by the Institute of Medicine. "Although this revision is the first step toward protecting American consumers, there is much more that can be done," he said.

Medical Home Issues Identified

Key issues that face medical home initiatives include how to qualify physician practices as medical homes, how to match patients to such practices, how to get physicians and other providers to coordinate their care of patients in medical homes, and how to pay practices that serve patients in this way, according to a study from the Center for Studying Health System Change, a think tank, and Mathematica Policy Research Inc., a research firm. These issues "have potential to make or break a successful program," the report's authors said.

—Jane Anderson