

MedPAC Offers Alternatives to SGR Formula

BY ALICIA AULT

FROM A BRIEFING HELD BY THE
MEDICARE PAYMENT ADVISORY
COMMISSION

WASHINGTON – The Sustainable Growth Rate is “flawed in many ways,” according to the Medicare Payment Advisory Commission, which presented several possible alternatives in its semi-annual report to Congress.

Reform of the Sustainable Growth Rate formula (SGR) is essential to fixing the American health care system, MedPAC chairman Glenn M. Hackbarth said in a statement. “The Commission believes payment reform is a necessary, although not sufficient, condition for reform of the health care delivery system.”

It is not the first time that the MedPAC commissioners have expressed their concern about the SGR and its continuing threat to both physicians and patients. Under the SGR, Medicare is on track to cut physician pay by 30% in 2012.

To eliminate the cuts that have mount-

ed over the years is an expensive proposition – about \$300 billion, according to estimates by MedPAC and others.

Thus, the commission has suggested several alternatives as well as potential ways to create Medicare savings to cover the cost of replacing the SGR.

One idea that has garnered strong support from the commission is overhauling the fee-for-service system by rewarding primary care physicians and encouraging a medical home model of care. Under that scenario, payments essentially would be shifted away from specialty care and procedure-based medicine to primary care, said MedPAC executive director Mark Miller.

With SGR replacement, the report advises reforming the payment structure by increasing payments for cognitive services relative to procedural services.

The report also called for possible fixes to the SGR to last for at least 2 years. In 2010, updates were so short-lived that they were often applied retroactively. The lack of predictability was difficult for

physician practices, according to the report, which added that “the most disturbing outcome resulting from the short-term fixes was damage to patients’ and providers’ confidence in Medicare.”

Mr. Miller said that the SGR proposals are just a small facet of MedPAC’s goal to move Medicare away from its fee-for-service payment system. MedPAC commissioners have been discussing how to move Medicare toward a more global payment model, such as the accountable care organizations that are being proposed by the Centers for Medicare and Medicaid Services.

The report also made a series of recommendations to reduce the ever-rising cost of ancillary services provided by physicians, particularly imaging services. The commission is not anti-imaging, said Mr. Miller. But there has been such a spike in volume in the last decade – 6% growth per beneficiary per year from 2004-2008 and 2% per year from 2008-2009 – that commissioners felt it was imperative to suggest ways to curb the growth.

Among the suggestions: Disallow multiple payments for imaging of multiple body parts that are carried out simultaneously and reduce fees for physicians who order a procedure and then perform it themselves.

The report also recommended that Medicare require prior authorization of MRI, CT, and nuclear imaging scans for physicians who order more of these tests than do their peers. This change would likely take an act of Congress, however.

The commission outlined a process whereby physicians who are found to order more – but within appropriate bounds – would merely be subject to a prior notification process.

The report also recommended taking some payments that would go to Quality Improvement Organizations and funneling them directly to providers or communities that want to create their own quality improvement programs.

The report can be viewed online at http://medpac.gov/documents/Jun11_EntireReport.pdf. ■

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