Medicare Pay Situation Makes Planning Difficult

BY MARY ELLEN SCHNEIDER
New York Bureau

Doubt and low morale are rampant in many practices in light of the uncertainty surrounding Medicare physician payment rates this year.

While members of Congress averted a 10% cut in the Medicare physician fee schedule, replacing it instead with a 0.5% increase, that increase is mandated only until midyear. Congress must act again by July to keep an ever-deeper cut from going through.

The uncertainty is making it difficult for physicians to plan ahead even a year at a time, and is causing some to avoid taking on new Medicare patients.

Dr. Fred Ralston Jr., a general internist in Fayetteville, Tenn., and chair of the health and public policy committee of the American College of Physicians, rarely sees new patients in his established practice. However, given the recent lack of action to reform payments, he has decided to stop accepting new Medicare patients in his practice.

Although his eight-physician primary care group won't drop any current patients, he said that taking on new Medicare patients, with their complex problems, amounts to "charity." "The reimbursement for those with multiple problems is very limited compared to several less complex younger patients who could be seen in the same [amount of] time," Dr. Ralston said.

Other physicians made the decision not to take new Medicare patients years ago. Dr. Andrew Merritt, a family physician in Marcellus, N.Y., closed his practice to Medicare patients about 5 years ago because of the uncertainty of the payment situation.

As a result, Medicare now makes up less than 20% of his practice, and the current payment situation hasn't had a large impact on his bottom line. But if payments were to worsen significantly, he might be forced to consider other changes to his practice, such as limiting patients to presenting one problem at each appointment.

The fiscal situation makes rational long-term financial planning almost impossible, said Dr. Ralston. He estimates that in a practice in which almost two-thirds of the revenue goes to overhead, a 10% cut would mean about 30% off the bottom line.

The uncertainty is making it difficult for physicians to plan ahead even a year at a time, and is causing some to avoid taking on new Medicare patients.

For example, Dr. Ralston's practice purchased an electronic medical record system because they thought it would help them to provide better care to patients. But it was probably a foolish economic decision, he said, because they don't know whether they will have the revenue to pay for it.

"It continues the uncertainty of what the practice income will be," said Dr. Yul Ejnes, an internist in Cranston, R.I., and a member of the ACP Board of Regents. "We're all small businesses."

Practices can't do anything aggressive in terms of practice development and growth, he said. For example, it's difficult for a practice that needs to recruit new physicians to guarantee a competitive pay package when they can't estimate how much money will be coming in, he said.

It also affects the morale of physicians, especially those who care for the chronically ill elderly population, Dr. Ejnes said.

Dr. Robert Lebow, a solo internist and geriatrician in Southbridge, Mass., finds the Medicare payment situation to be demoralizing. Dr. Lebow, who still accepts new Medicare patients, said the flat payments are an added insult to the enormous paperwork burden and constant questioning of orders by payers. Dr. Lebow estimates that he spends an extra 1-2 hours a day completing paperwork for insurance companies.

And he is concerned about what this will mean to the future of primary care. Even as some payments for cognitive services have increased slightly in recent years, many physicians feel that it's too little, too late, he said.

Dr. Lebow, who is 63 years old, worries that there will be no one to replace him when he retires. "There are very few young people in primary care," he said. ■