Docs to Congress: Fix the Medicare Formula First

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WASHINGTON — Congress should fix Medicare's payment formula before taking on any new reforms to pay physicians on the basis of quality, medical organizations testified at a hearing of the House Ways and Means health subcommittee.

If impending cuts to the fee schedule go into effect, "physicians will be hard pressed to undertake quality initiatives such as information technology," testified Nancy H. Nielsen, M.D., trustee to the American Medical Association.

President Bush's budget request for fiscal year 2006 includes a scheduled 5.2% payment cut for physician services under Medicare. Actuaries have estimated that physician payments could decline by more than 30% through 2012, unless modifications are made to the sustainable growth rate (SGR), a component in the physician pay formula that determines each year's update. Although the AMA has engaged in its own evidence-based, quality improvement measures, "it is critical to replace the flawed physician payment formula to allow quality initiatives to flourish," Dr. Nielsen said.

Other medical organizations offered similar pleas in testimony and in statements to the subcommittee. Going ahead with pay-for-performance initiatives but not changing the formula to stave off the 5.2% cut "is unacceptable," Jerome B. Connolly, senior government relations representative with the American Academy of Family Physicians, told this newspaper.

At the hearing, pay-for-performance proposals were heavily touted as a viable payment alternative by witnesses and panel members alike. "We fundamentally have to rethink how we pay our doctors," said Subcommittee Chair Nancy L. Johnson (R-Conn.).

Some physicians perform better than others in the quality of care they deliver, Glenn M. Hackbarth, chairman of the Medicare Payment Advisory Commission (MedPAC), testified. The SGR system "fails to create appropriate incentives to improve performance," he said. MedPAC in its March report to Congress recommended a quality incentive payment system for physicians under Medicare, using various types of information technology to manage patients.

Continued on following page

Physicians Did Not Abandon Medicare

Physicians did not run away from Medicare in 2002, despite a 5.4% cut in their payments, the Government Accountability Office reported.

In analyzing all Medicare physician claims for services provided from April 2000 to April 2002, the GAO found that the percentage of beneficiaries getting treatment actually increased—and that access increased in almost every part of the country.

For example, the percentage of beneficiaries receiving physician services during the month of April rose from 42% in 2000 to 46% in 2002.

The findings also suggest that Medicare beneficiaries were less likely to be exposed to balanced billing over time, from 1.7% of claims in 2000 to 1.3% in 2002.

Since 2002, Congress has used temporary fixes to prevent further cuts to the fee schedule, although a 5.2% cut is expected in 2006, unless permanent measures are taken.

Permanent changes have been proposed—all of which are costly. GAO has estimated that removing prescription drugs from the SGR this year—an option favored by some medical organizations—would fall short of providing an immediate fix. Fees would continue to decline by about 5% per year from 2006 through 2010, before rising in 2011.

The Bush administration does have current authority to remove the drugs from the formula, Bruce Steinwald, GAO's director for health care, economic and payment issues, recently testified at a hearing of the House Ways and Means Health Subcommittee.

Mark McClellan, M.D., administrator of the Centers for Medicare and Medicaid Services, recently told reporters that his agency is working with the AMA to identify administrative actions to prevent the cuts.