Psychiatrists Face 7% Pay Cut

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Medical Association (AMA) Relative Value Scale Update Committee as part of a 5-year review. These evaluation and management RVU changes will blunt some of the impact of the 5% overall cut for certain specialties.

For example, CMS estimated in the final rule that internal medicine will experience a 1% overall cut in allowed charges under Medicare because of the combination of the changes to work and practice expense RVUs, the sustainable growth rate (SGR) cut, and other cuts called for under the Deficit Reduction Act of 2005. Family physicians will break even once all factors are calculated.

CMS estimates that only four specialties will see positive updates in 2007 once all the payment changes are factored in—emergency medicine (2%), endocrinology (1%), infectious disease (4%), and pulmonary disease (1%).

The result of the cuts is that Medicare patients are likely to experience access problems when they seek psychiatric care, said Tom Leibfried, who is deputy director for congressional affairs at the American Psychiatric Association.

A 7% average drop in Medicare payments will be a significant challenge for psychiatrists, especially since their practice costs are climbing at a rate higher than inflation, he said.

The 5% across-the-board cut for all physicians is required under a payment formula known as the sustainable growth rate (SGR), passed by Congress several years ago.

CMS officials have estimated that only four specialties will see positive updates in 2007 once all of the payment changes are factored in.

The SGR "was designed to adjust the update to make actual [expenditures] and target expenditures equal over time," according to CMS policy. "If outlays under the fee schedule are higher than the [spending target set by the government], the update is decreased. Conversely, if outlays are lower than the target, the update is increased." The cut announced by CMS is slightly less than the 5.1% figure that the agency estimated earlier this year.

The AMA and other medical specialty organizations have called on Congress to take action when it returns for a short lame-duck session.

The groups have been lobbying for months for Congress to pass stopgap legislation that would eliminate the cut this year and give legislators time to agree on a new formula for determining physician payment under Medicare next year.

There is reason to think that Congress will act to reverse the payment cuts. From 2003 to 2006, Congress stopped Medicare payment cuts scheduled to take effect under the SGR formula. And currently, 80 senators and 265 representatives have signed on to letters to the congressional leadership calling for the cuts to be stopped.

"They certainly are aware that this is a problem," said Michael Amery, legislative counsel for the American Academy of Neurology. The question is whether members of Congress will act and, if so, when. Congress may take action during the lame-duck session or wait until early 2007 to address the issue, he said.

"Physicians are really frustrated that everyone in Congress agrees" that there is a problem, "but they aren't doing anything," predicted Dr. Rick Kellerman, president of the American Academy of Family Physicians.

Another area of physician services to be greatly affected by the final rule is imaging services. Starting Jan. 1, physicians who perform multiple imaging procedures on contiguous body parts during the same session will be paid in full for the first procedure and then will receive a 25% cut in the technical component payment for additional imaging procedures.

In addition, the final rule implements imaging cuts that are called for under the Deficit Reduction Act. Under this provision, the payment for the technical component of certain physician-performed imaging services is capped at the hospital outpatient amount for the same service.

This cap does not apply to mammography services. ■

Medicare Changes Are High on Agenda for New Congress

BY JOYCE FRIEDEN
Senior Editor

The changes in leadership brought about by the November midterm elections are likely to result in significant shifts in the way Congress approaches health policy issues, according to several experts.

One change that many physicians are hoping the new Democratic leadership will make is to fix the Medicare physician payment formula.

Under the current payment formula, physicians are facing a 5% payment cut in January. "For the immediate future, we are asking that they cancel the cut and give physicians a positive [payment increase] to reflect inflation, which is slightly over 2%," Dr. Cecil Wilson, chair of the American Medical Association board of trustees, said in an interview at press time.

Such an immediate fix would not address the underlying problem: that the physician fee schedule relies on the flawed Sustainable Growth Rate (SGR).

"Congress needs to do a permanent fix to this problem," said Dr. Wilson, an internist in Winter Park, Fla. "We will be working very hard on that for this coming year, to ask that they get rid of this formula and move to one that reflects the increased cost of providing care."

Ron Pollack, who is executive director of Families USA, a liberal consumer group that is based in Washington, voiced optimism that the new Congress would look at the payment formula.

"I think the Democrats probably do want to deal with that—whether it will be on a year-by-year basis or on a more permanent basis, I don't know," he said in an interview. "But I do think the Democrats are inclined to get that fixed."

Malpractice reform could be another story, Mr. Pollack said.

"The one and perhaps only way that issue is going to move forward will be if there is significant compromise," Mr. Pollack said. "[The strategy of] placing caps on damage awards probably makes it difficult to move this forward. On the other hand, to the extent that alternative conflict resolution systems are established that substantially reduce litigation and provide more people with access to grievance mechanisms short of legal proceedings, that certainly has a chance of movement."

'We will see if they just try to go for moderate Democrat ideas ... or if they really follow their hearts and try to kill health savings accounts.'

Michael Cannon, director of health policy studies at the Cato Institute, a libertarian think tank in Washington, was even more negative.

Malpractice reform "is not going anywhere and that's a welcome development, because the Constitution doesn't give Congress any authority to play any role in that area," he said.

"The Republicans never recognized that, but the Democrats, in this instance, are in favor of letting the states deal with that issue, and they are not interested in any federal malpractice reforms," Mr. Cannon said.

Covering the uninsured is another area that could move to the front burner under the Democrats, Dr. Wilson said.

"We now know that [the uninsured] are more likely to get sicker and die sooner" than those with insurance, he said. "We'll be trying to increase the visibility of that problem."

One definite health care priority for Rep. Nancy Pelosi (D-Calif.), who will become Speaker of the House in January, will be to get rid of a prohibition in the Medicare prescription drug coverage law that prevents the Centers for Medicare and Medicaid Services from negotiating prices directly with pharmaceutical companies.

"We can and we must make the Medicare prescription drug plan fairer and more cost effective," Rep. Pelosi said in a statement.

Removal of that prohibition would be a welcome change, according to Mr. Pollack, of Families USA. By bargaining directly with drug companies, the Department of Veterans Affairs "has achieved much lower prices than the lowest prices charged by all Medicare Part D plans," he said in a statement, noting that the median price difference was 46%.

Cato's Mr. Cannon had a different take on the idea. "Democrats are attracted to price controls because it allows them to provide a benefit for current generations through lower cost drugs, while imposing a cost on future generations, which is fewer new drugs being developed" due to declining revenues for pharmaceutical companies, he said.

Another thing the Democrats will consider doing with the Part D plan is to close up the doughnut hole—the gap in coverage beneficiaries have when their drug bills exceed a certain amount. Rep. Pelosi has said she plans to do this using the savings achieved through letting Medicare negotiate drug costs directly.

Analysts are anticipating a new direction in health policy in the new Congress because the presumed new chairs of the committees and subcommittees dealing with health care are considered quite liberal.

This group includes Rep. Charles Rangel (D-N.Y.), who is expected to head the Ways and Means Committee; Rep. John Dingell (D-Mich.), expected to head the Energy and Commerce Committee; Rep. George Miller (D-Calif.), expected to become chariman of the Education and Workforce Committee; and Rep. Fortney H. "Pete" Stark (D-Calif.), expected to head the Ways and Means health subcommittee.

"It's going to be very interesting to see how these folks approach health care," said Mr. Cannon, noting that Rep. Dingell has introduced legislation for a single-payer health care system every year since 1955.

"We will see if they just try to go for moderate Democrat ideas . . . or if they really follow their hearts and try to kill health savings accounts, or launch some sort of Clinton-like initiative that aims to provide coverage for everyone. They're not moderates, and they're not shrinking violets. They don't seem like the kind who are going to take orders; they seem to want to run their own show," Mr. Cannon said.

The upcoming reauthorization of the State Children's Health Insurance Program (SCHIP), a federal and state program that provides health insurance to children in families with income too high for Medicaid but too low to be able to afford private insurance coverage, is one example of legislation the Democrats could put their stamp on, Mr. Pollack said.

"Due to its broad, bipartisan support, SCHIP no doubt will be reauthorized," he said. "However, since approximately 9 million children continue to be uninsured, the real question before the Congress is whether the reauthorization process will expand health coverage and provide adequate SCHIP funding for those children who don't have coverage and whose families can't afford it. A simple reauthorization will be a major disappointment." ■