Policy & Practice

Preparing for a Pandemic

The Department of Health and Human Services is taking additional steps to prepare for a potential influenza pandemic, purchasing additional vaccine and antiviral medications that will be placed in the nation's Strategic National Stockpile. Sanofi Pasteur received a $100 million contract to manufacture avian influenza vaccine designed to protect against the H5N1 influenza virus strain, the strain behind an avian flu epidemic in Asia. Just how many individuals could be protected by the newly contracted vaccine is the subject of ongoing clinical studies, HHS said in a statement. In addition, HHS awarded a $2.8 million contract to GlaxoSmithKline for 84,300 treatment courses of the antiviral drug zanamivir (Relenza). These contracts build upon a plan to buy enough vaccine for 20 million people and enough antivirals for another 20 million people.

Part B Premiums on the Rise

Monthly Medicare Part B premiums will be $88.50 in 2006, an increase of $10.30 from the current $78.20 premium, the Centers for Medicare and Medicaid Services announced. The agency cited continued rapid growth in the intensity and utilization of Part B services as the primary reason for the premium increase. "This growth is seen in physician office visits, lab tests, minor procedures, and physician-administered drugs," the agency said in a statement. Part of the premium increase is necessary to increase funds held, for accounting purposes, in the Part B trust fund. Though premiums are rising, most Medicare beneficiaries will see significantly lower out-of-pocket health care costs in 2006 because of the savings in drug costs from the new Medicare prescription drug benefit, the agency claimed. About 25% of beneficiaries can receive assistance that pays for their entire Part B premium, and about 33% can receive assistance for their Part D premium.

Saving Billions Through Health IT

The widespread implementation of electronic medical record systems by physicians could lead to $142 billion in net savings over 15 years, according to a study from the RAND Corporation. And the implementation of hospital-based systems could mean a savings of nearly $371 billion over 15 years, according to the study, which was published in the September/October issue of Health Affairs. "Our findings strongly suggest that it is time for the government and others who pay for health care to aggressively promote health information technology," Richard Hillestad, the RAND senior management scientist who led the study, said in a statement. While the potential savings would outweigh the costs quickly during the adoption cycle, there are still a number of barriers to the effective adoption and application of health information technology, the researchers wrote. For instance, although providers would pay to implement the system, it's the payers and consumers who are likely to experience savings. In addition, even if the systems are widely adopted, interoperability and information exchange networks might not be developed, according to the study.

Decline Seen in Employer Coverage

The percentage of businesses offering health insurance to their workers has declined steadily over the last 5 years as the cost of providing coverage continues to outpace inflation and wage growth, according to the 2005 Annual Employer Health Benefits Survey released by the Kaiser Family Foundation and Health Research and Educational Trust. The survey found that 60% of employers offered coverage to workers in 2005, a decrease from 69% in 2000 and 66% in 2003. "The drop stems almost entirely from fewer small businesses offering health benefits, as nearly all businesses (98%) with 200 or more workers offer such benefits," the report stated. The survey found that 20% of employers who offer health insurance now provide a high-deductible health plan option. Large employers—defined as those with 5,000 or more workers—are significantly more likely than smaller ones to offer a high-deductible plan option, with 33% offering one in 2005. The survey defines high-deductible health plans as those with at least a $1,000 deductible for single coverage or at least a $2,000 deductible for family coverage. In the meantime, relatively few workers are enrolled in "consumer-driven" plans, despite their growing availability.

Salary Affects Specialty Choice

When it comes to choosing a specialty, U.S. medical graduates are more concerned with their earning power than with medical liability costs, according to a study published in the September issue of Obstetrics and Gynecology. Procedure-based and hospital-based specialties, which generally are associated with higher incomes, are the most likely to have residency positions filled by U.S. medical graduates, the researchers found, even when the specialty had higher professional liability costs. For example, U.S. medical students filled more than 90% of the residency positions in neurosurgery and orthopedic surgery where medical liability insurance costs are high—but so are average incomes. In contrast, U.S. students filled 70% of the available residency positions in obstetrics and gynecology, according to the American College of Obstetricians and Gynecologists. But the researchers noted that students also may be attracted to high-earning fields because of the technical challenges or the ability to have a more controllable lifestyle. The results are based on data from the 2004 National Resident Matching Program, the American Medical Association, the Medical Group Management Association, and a major Massachusetts liability insurer.

—Jennifer Silverman

MedPAC Cites Flaws in Physician Review Process

BY JENNIFER SILVERMAN

Associate Editor, Practice Trends

Washington — The current process for valuing physician services may result in inaccurate pricing and needs to be reviewed, researchers said during a meeting of the Medicare Payment Advisory Commission.

Relative value units (RVUs) are assigned to services in the physician fee schedule to determine how payment rates vary, one service relative to another. The Centers for Medicare and Medicaid Services reviews and modifies the RVUs for selected services based on recommendations from the RVS Update Committee (RUC), a panel made up of representatives of national and specialty medical societies. CMS usually accepts 90% of the committee's recommendations.

By law, RVUs are reviewed every 5 years. The next review is scheduled for completion in 2007.

There are problems with this review process, much of which involves the subjective nature of measuring physician work, Dana Kelley, a research contractor to the Medicare Payment Advisory Commission (MedPAC), told the advisory committee.

'The physicians … are intimately involved in setting the RVUs [but at the same time] have a financial interest in how those services are weighted.'

"The physicians themselves are intimately involved in setting the RVUs [but at the same time] have a financial interest in how those services are weighted," she said. This introduces the possibility of biased reporting.

Specialty societies, which have much to gain by RUC decisions, can submit "compelling arguments" that the values are incorrect, Ms. Kelley said. While the RUC has safeguards to make sure that some specialties don't dominate the review process, "specialization remains an important issue."

Physicians who perform a specific service are often surveyed to determine the "weight" of a particular service. In answering these surveys, physicians obviously have a financial incentive to indicate that their service should be highly weighted, she said.

The assumption that current RVUs are accurate ignores the fact that they may change over time, Ms. Kelley said. "Even starting from the premise that it's set correctly, the way a service is performed can change its value."

Also, there is a strong bias in favor of identifying and correcting undervalued codes, she said. "Previous 5-year reviews have led to substantially more increases than decreases in RVUs." This results in passive devaluation of some codes.

Inaccurate payments for physician services can distort the market for health care services, said Kevin Hayes, Ph.D., a MedPAC research director. "It can boost volume for certain services inappropriately, undermine access to care, and make some specialties more financially attractive than others," he said.

A lot of news has circulated "on how maldistribution of payments is affecting the career choices of young physicians," noted Ray E. Stowers, D.O., a commission member. "It really does create a long-term problem of decreasing the number of primary care physicians in the country, and eventually affecting the access to care of Medicare beneficiaries and increasing the cost of care to the Medicare system."

While it's easy to criticize the RUC, several MedPAC members cautioned that there are few alternatives to the system. "We have to come up with an alternative. We have a chance of doing something a lot better," Alan R. Nelson, M.D., a member of the commission, acknowledged.

However, even if you can get the pricing "exactly accurate that day," the evidence for inaccuracies isn't going to come for a while, he said. Changes in the way medicine is practiced are going to create some distortion. "It's never going to be perfect because it's a rolling ball game. We need to measure that in our perceived criticism of the RUC."

In light of concerns about inaccurate payments, Dr. Hayes said MedPAC plans to "address the topic of valuing physician services in detail," along with other issues, such as adjusting payments geographically, revisiting the boundaries of payment localities, and determining practice expense payments in the fee schedule.

The RUC plans to make its recommendations on physician RVUs at the end of October, Ms. Kelley said. CMS would then issue a notice of the proposed rule-making next spring on the valuation of physician services, and a final rule would be issued in January 2007, to set values for the following review cycle. ■

Can't Find Your Last Issue?

Family Practice News
Intermediate CV Risk Overestimated In Americans
Readying Students For Rural Practice

You have free access to articles from this issue and past issues of **Family Practice News** at www.familypracticenews.com.