MedPAC Advises Against Expected Payment Cuts

BY TODD ZWILLICH
Contributing Writer

The committee advising Congress on Medicare payments has called for reimbursement increases for physicians and hospitals next year, but is proposing to slow the growth rate for hospital payments.

In its March report, the Medicare Payment Advisory Commission (MedPAC) called for a 2.8% increase in payments to doctors, instead of the 4.6% cut required by law next year. Physicians narrowly dodged a similar cut in January when Congress repealed it in the budget authorization bill.

MedPAC also recommended that hospitals receive a 2.95% increase for treating Medicare's 42 million beneficiaries. An increase of that size would pare back the projected growth in hospital payments by nearly half a percent. The commission noted that a slowdown was needed to help control the program's rising costs.

The proposal is in line with the White House fiscal 2007 budget, which calls for $480 million in hospital payment cuts for 2007 as part of efforts to control entitlement spending. Hospitals have complained bitterly that they already lose money on Medicare, and that further cuts could drive some of them out of business.

But hospitals might have little to fear this year, according to several key members of Congress. At a Capitol Hill hearing, Rep. Nancy L. Johnson (R-Conn.) said that half of hospitals already operate in the red on money from Medicare patients.

In an earlier interview, Rep. Johnson, who chairs the House Ways and Means subcommittee on health, said that President Bush's budget is likely to be "substantially rewritten" by Congress.

Congress approved $6.4 billion in cuts to Medicare over 5 years in February. The White House budget called for $36 billion more in cuts by 2011.

California Rep. F. Pete Stark, Rep. Johnson's democratic counterpart, suggested that Congress will be unwilling to back any more significant changes to Medicare in an election year. "They're not going to give the raises the doctors want—and the hospitals aren't going to get cut as much as they think," he said in an interview.

Sen. Gordon H. Smith (R-Ore.) agreed. "It's very bleak for doing anything. In sessions that precede elections, it's all politics all the time," said Mr. Smith, a member of the Senate Finance Committee.

In an election year, Congress will likely be unwilling 'to give the raises the doctors want—and the hospitals aren't going to get cut as much as they think.'

The American Medical Association praised MedPAC's call for higher physician payments. "If enacted by Congress, this new MedPAC recommendation will help physicians continue to treat Medicare patients," AMA board member Dr. Duane Cady said in a statement.

But the group is likely to be less impressed by a renewed MedPAC recommendation that calls for a new committee to advise Medicare on the resource-based relative value scale (RBRVS) that sets reimbursement for medical services.

An AMA panel, called the RVS update committee (RUC), currently makes recommendations on payment updates for hundreds of treatment and diagnostic codes. But MedPAC chair Glenn Hackbarth told reporters that physicians on the RUC tend to counsel for increases and that MedPAC members want a new committee within the Centers for Medicare and Medicaid Services to review the AMA's work and make "independent" recommendations on code values.

Mr. Hackbarth said MedPAC members worry that rising code values for some services, particularly specialty care, are robbing resources from the primary care and preventive services that Medicare is now hoping to emphasize.

"It's been a concern of ours that the current process is skewed," he said.

If an additional expert panel is appointed to help identify services to be reviewed by the RUC, "it should represent current practicing physicians," Dr. J. Edward Hill, the AMA president, said in a statement. ■

Pages 78a—78d