Medicare Proposes 5.1% Physician Pay Cut in 2007

BY MARY ELLEN SCHNEIDER
New York Bureau

Unless Congress intervenes by the end of the year, physicians are scheduled to face a 5.1% cut in Medicare payments starting Jan. 1, 2007.

Officials at the Centers for Medicare and Medicaid Services published the proposed physician fee schedule changes in the Aug. 22 issue of the Federal Register; the final regulation is expected in the fall. The proposed cut, which comes on the heels of years of pay freezes and minor increases, is likely to force some physicians to stop accepting new Medicare patients, several physicians told this newspaper.

About 45% of physicians surveyed by the American Medical Association in February and March of this year reported that they would either decrease or stop seeing new Medicare patients if Medicare payments were reduced by 5% in 2007. The AMA surveyed more than 8,000 physicians, including both members and nonmembers.

That trend has already begun in some communities. Dr. Michael McAdoo, a family physician in Milan, Tenn., who works in a four-physician practice, stopped taking new Medicare patients about 3 years ago. "We saw this coming," he said.

Now, with potentially deeper cuts on the horizon, he is considering stopping his hospital coverage and has begun limiting the number of Medicare patients he sees each day. In Milan, a town of about 10,000, there is only one physician in the community who is still accepting new Medicare patients. "I anticipate this will probably get worse," Dr. McAdoo said.

Over time, there will likely be access-to-care problems in rheumatology as well, said Dr. Michael Schweitz, vice president of the Coalition of State Rheumatology Organizations and a rheumatologist in West Palm Beach, Fla. He has already started to hear about physicians who are not accepting new Medicare patients, though the practice is not widespread, he said.

And for physicians who care for a large number of Medicare patients and aren't willing to limit access, the cut will mean a significant drop in their take-home pay, Dr. Schweitz said. The cuts are especially tough on general internists and other primary care physicians who already face difficulty in recruiting young physicians to their practices, said Dr. Yul Ejnes, an internist in Cranston, R.I., and chair of the board of governors of the American College of Physicians. Many physicians have been willing to continue to see Medicare patients despite the falling reimbursement rates, Dr. Ejnes said, but lawmakers can't count on that indefinitely.

In his practice, about 20%-30% of his patients are Medicare beneficiaries, so Dr. Ejnes said he expects to see an impact on his bottom line due to the projected cuts. The impact could be greater if private insurance companies that tie their payment rates to Medicare choose to lower their payments at the same time.

The cuts are also likely to result in access issues beyond Medicare beneficiaries, he said. For example, if a physician has to cut back on staff because of Medicare payment cuts, that will affect all patients. And if a physician chooses to retire early, that affects thousands of patients who have to seek care elsewhere. "The impact is on the system as a whole," Dr. Ejnes said.

The proposed cut comes just a few weeks after CMS officials announced plans to change the way Medicare pays for evaluation and management services, with physicians who provide more cognitive services getting a bigger piece of the Medicare pie. But those increases to primary care physicians are likely to be nearly wiped out by the projected payment cuts based on the sustainable growth rate (SGR) formula.

And the latest SGR cut compounds the problem for specialties in which physicians are expected to experience cuts based on the proposed changes to the way Medicare pays for evaluation and management services. For example, Medicare payments to cardiologists could drop by about 7% next year, due to the 5.1% proposed fee schedule cut plus a proposed 1% decrease in work and practice expense relative value units for 2007, and a 1% decrease based on the implementation of imaging provisions in the Deficit Reduction Act of 2005 (DRA). The impact will vary among individual cardiologists based on the mix of services provided, according to the American College of Cardiology.

The AMA called on Congress to stop the proposed 2007 payment cut and begin to reimburse physicians based on the actual cost of providing care. AMA officials estimate that without a change to the current payment formula, Medicare payments will be cut 37% over the next 9 years, while at the same time practice costs will rise 22%.

Medicare physician payment rates are set annually based on a statutory formula. That formula adjusts the Medicare Economic Index based on how actual medical expenditures compare to a target rate—the SGR. The SGR is based in part on medical inflation, the projected growth in the domestic economy, and projected changes in the number of Medicare beneficiaries.

While there has been legislation introduced in Congress this year aimed at changing the formula that calculates physician payments under Medicare, a permanent fix to the payment problem is unlikely this year, said Dr. Larry Fields, president of the American Academy of Family Physicians.

The AAFP is pushing for a positive update of between 2% and 5% for 2007 and real engagement to permanently fix the problem next year, he said. Officials at the AAFP have commissioned a health care consulting firm, the Lewin Group, to examine alternative payment mechanisms that would not involve the use of the SGR formula, he said. They hope to use that information to work with Congress on a permanent solution next year, Dr. Fields said.

In addition to the 5.1% payment cut, the CMS proposal also seeks to expand coverage for some preventive services. For example, the proposed rule would implement the provisions of the DRA that call for making abdominal aortic aneurysm screening a Medicare-covered preventive service. The benefit would include a one-time ultrasound screening for beneficiaries who seek the "Welcome to Medicare" physical, along with education, counseling, and referral services.

The CMS proposed rule would also implement other provisions of the DRA which call for exempting colorectal cancer screening from the Part B Medicare deductible. ■

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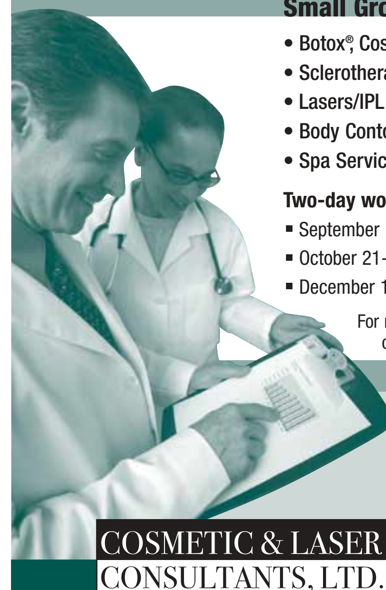

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