June 2008

MEDICARE PART B IMAGING SERVICES

Rapid Spending Growth and Shift to Physician Offices Indicate Need for CMS to Consider Additional Management Practices

GAO Accountability · Integrity · Reliability

Highlights

Highlights of GAO-08-452, a report to congressional requesters

Why GAO Did This Study

The Centers for Medicare & Medicaid Services (CMS)—an agency within the Department of Health and Human Services (HHS)—and the Congress, through the Deficit Reduction Act of 2005 (DRA), recently acted to constrain spending on imaging services, one of the fastest growing set of services under Medicare Part B, which covers physician and other outpatient services. GAO was asked to provide information to help the Congress evaluate imaging services in Medicare. In this report, GAO provides information on (1) trends in Medicare spending on imaging services from 2000 through 2006, (2) the relationship between spending growth and the provision of imaging services in physicians' offices, and (3) imaging management practices used by private payers that may have lessons for Medicare. To do this work, GAO analyzed Medicare claims data from 2000 through 2006, interviewed private health care plans, and reviewed health services literature.

What GAO Recommends

To address the rapid growth in Medicare Part B spending on imaging services, GAO recommends that CMS examine the feasibility of expanding its payment safeguard mechanisms by adding more front-end approaches, such as prior authorization. HHS stated that it would need to examine the applicability of prior authorization for Medicare.

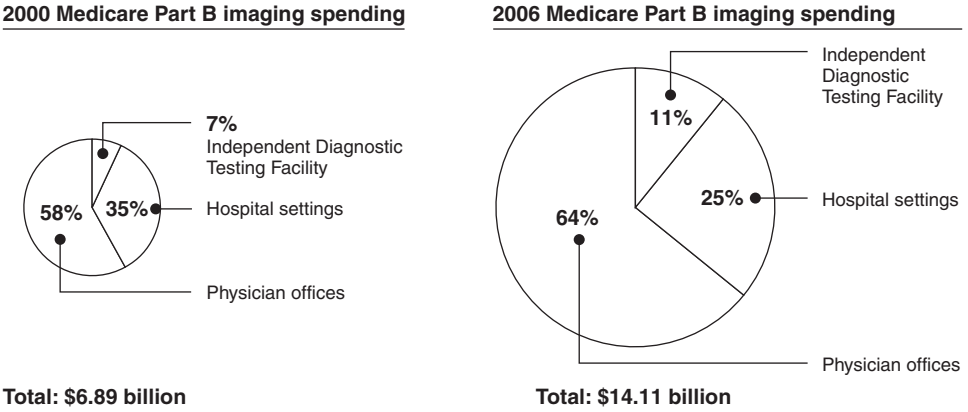
To view the full product, including the scope and methodology, click on GAO-08-452. For more information, contact A. Bruce Steinwald at (202) 512-7114 or steinwalda@gao.gov.

What GAO Found

From 2000 through 2006, Medicare spending for imaging services paid for under the physician fee schedule more than doubled—increasing to about $14 billion. Spending on advanced imaging, such as CT scans, MRIs, and nuclear medicine, rose substantially faster than other imaging services such as ultrasound, X-ray, and other standard imaging.

GAO's analysis of the 6-year period showed certain trends linking spending growth to the provision of imaging services in physician offices. The proportion of Medicare spending on imaging services performed in-office rose from 58 percent to 64 percent. Physicians also obtained an increasing share of their Medicare revenue from imaging services. In addition, in-office imaging spending per beneficiary varied substantially across geographic regions of the country, suggesting that not all utilization was necessary or appropriate. By 2006, in-office imaging spending per beneficiary varied almost eight-fold across the states—from $62 in Vermont to $472 in Florida.

Medicare Part B Spending on Imaging by Setting, 2000 and 2006



Source: GAO analysis of Medicare Part B claims data.

Private health care plans that GAO interviewed used certain practices to manage spending growth that may have lessons for CMS. They relied chiefly on prior authorization, which requires physicians to obtain some form of plan approval to assure coverage before ordering a service. Several plans attributed substantial drops in annual spending increases on imaging services to the use of prior authorization. In contrast, CMS employs an array of retrospective payment safeguard activities that occur in the post-delivery phase of monitoring services and are focused on identifying medical claims that do not meet certain billing criteria. The private plans' experience suggests that front-end management of these services could add to CMS's prudent purchaser efforts.