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MEDICARE

Providing Systematic Feedback to Physicians on their Practice Patterns Is a Promising Step Toward Encouraging Program Efficiency

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Highlights

Highlights of GAO-07-862T, a testimony before the Subcommittee on Health, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

GAO was asked to discuss—based on *Medicare: Focus on Physician Practice Patterns Can Lead to Greater Program Efficiency*, GAO-07-307 (Apr. 30, 2007)—the importance in Medicare of providing feedback to physicians on how their use of health care resources compares with that of their peers. GAO's report discusses an approach to analyzing physicians' practice patterns in Medicare and ways the Centers for Medicare & Medicaid Services (CMS) could use the results. In a related matter, Medicare's sustainable growth rate system of spending targets used to moderate physician spending growth and annually update physician fees has been problematic, acting as a blunt instrument and lacking in incentives for physicians individually to be attentive to the efficient use of resources in their practices. GAO's statement focuses on (1) the results of its analysis estimating the prevalence of inefficient physicians in Medicare and (2) the potential for CMS to profile physicians in traditional fee-for-service Medicare for efficiency and use the results in ways that are similar to other purchasers' efforts to encourage efficiency.

What GAO Recommends

In its report, GAO recommended that CMS develop a system that identifies individual physicians with inefficient practice patterns and, seeking legislative authority as necessary, uses the results to improve program efficiency.

www.gao.gov/cgi-bin/getrpt?GAO-07-862T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact A. Bruce Steinwald at (202) 512-7101or steinwalda@gao.gov.

What GAO Found

Having considered efforts of 10 private and public health care purchasers that routinely evaluate physicians for efficiency and other factors, GAO conducted its own analysis of physician practices in Medicare. GAO focused the analysis on generalists—physicians who described their specialty as general practice, internal medicine, or family practice—and selected metropolitan areas that were diverse geographically and in terms of Medicare spending per beneficiary. Although GAO did not include specialists in its analysis, its method does not preclude profiling specialists, as long as enough data are available to make meaningful comparisons across physicians. Based on 2003 Medicare claims data, GAO's analysis found outlier generalist physicians—physicians who treat a disproportionate share of overly expensive patients—in all 12 metropolitan areas studied. Outlier generalists and other generalists saw similar numbers of Medicare patients and their respective patients averaged the same number of office visits. However, after taking health status and location into account, GAO found that Medicare patients who saw an outlier generalist—compared with those who saw other generalists—were more likely to have been hospitalized, more likely to have been hospitalized multiple times, and more likely to have used home health services. By contrast, they were less likely to have been admitted to a skilled nursing facility. GAO concluded that outlier generalists were likely to practice medicine inefficiently.

CMS has tools available to evaluate physicians' practices for efficiency, including a comprehensive repository of Medicare claims data to compute reliable efficiency measures and substantial experience adjusting for differences in patients' health status. The agency also has wide experience in conducting educational outreach to physicians with respect to improper billing practices and potential fraud—providing individual physicians, in some cases, comparative information on how the physician varies from other physicians in the same specialty or in other ways. A physician education effort based on efficiency profiling would therefore not be a foreign concept in Medicare. For example, CMS could provide physicians a report that compares their practice's efficiency with that of their peers, enabling physicians to see whether their practice style is outside the norm. As for implementing other strategies to encourage efficiency, such as the use of certain financial incentives, CMS would likely need additional legislative authority.

CMS agreed with the need to measure physician resource use in Medicare but raised concerns about the costs involved in reporting the results and was silent on other strategies discussed beyond physician education. GAO concurs that resource use measurement and reporting activities would require adequate funding; however, GAO is concerned that efforts to achieve efficiency that rely solely on physician education without financial or other incentives for physicians to curb inefficiencies will be suboptimal.