



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Medicare physician fees, services
Da: Thursday, March 31, 2005

Today, the Centers for Medicare and Medicaid Services (CMS) released a letter to the Medicare Payment Advisory Commission (MedPAC) outlining the current estimates of the 2006 physician fee schedule update. CMS actuaries estimate that the 2006 physician fee schedule update will be negative 4.3 percent. Underlying this update is a substantial growth in spending for the Medicare services involved.

There are several areas that contributed to the increase in spending. There was an increase in office visits, with a shift toward longer and more intensive visits. There were more minor procedures provided, such as therapy procedures performed by physicians and physical therapists. Beneficiaries also received more frequent and more complex imaging, such as MRI scans and echocardiograms. There have been more laboratory tests and more utilization of prescription drugs in doctors' offices. These areas indicate that the major contributors to increased spending are associated with certain diagnostic and therapeutic services, including services involving the treatment of chronic conditions.

Sen. Chuck Grassley, chairman of the Committee on Finance, today made the following comment on the agency letter to MedPAC.

“The data presented illustrate a significant increase in Medicare expenditures for physician services. The Administration and Congress should take a closer look at what’s causing the increase in Medicare Part B expenditures because that leads to an increase in beneficiary Part B premiums. It’ll be important to understand which services contribute to health improvements and which are more questionable. To that end, physicians and other interested parties should be included in these discussions.

“Congress included a positive 1.5 percent increase for physicians for 2004 and 2005 in the Medicare Modernization Act of 2003. Yet, these updates as well as the increase in Part B expenditures resulted in a significant increase in the Part B premium for beneficiaries in 2005, with another estimated increase in 2006.

“To address the increase in Medicare spending by both government and beneficiaries, I want to work toward a system that recognizes efficient, quality care. The move toward a value-based purchasing system will increase the quality of care and avoid unnecessary costs to the Medicare

program.

“It doesn’t help the situation when Congress addresses the issue of negative updates each year. We need to find a physician payment system that works. Until then, it’ll be increasingly difficult to find the resources needed for a long-term fix, if spending related to the physician fee schedule continues to increase.”