



Advising the Congress on Medicare issues

Physician services: assessing payment adequacy and updating payments

John Richardson

January 10, 2008

Overview

- Physician payment changes in the Medicare, Medicaid, and SCHIP Extension Act of 2007
- Payment adequacy indicators
- Policies to improve the value of physician services
- Draft recommendation

Medicare, Medicaid, and SCHIP Extension Act of 2007

- 1) 2008 update: +0.5% update from January 1- June 30, 2008
 - 2008 update does not affect future SGR calculations
- 2) Extends floor for work geographic practice cost index (GPCI) through June 30, 2008
 - Primarily benefits physicians in rural areas
- 3) Extends 5% bonus payments in physician shortage areas through June 30, 2008

Medicare, Medicaid, and SCHIP Extension Act of 2007 (continued)

- Partially offsets new costs by eliminating most funds set aside for 2008 PQRI bonuses
 - PQRI extended through 2009, funding mechanism changes
 - PQRI bonus payments now made directly from Part B Trust Fund
- Establishes new pool of funds (~\$5 billion) to be used for future updates

Payment adequacy: Beneficiary survey on access to physician services

- For routine and illness / injury care, beneficiaries report equal or better access than privately insured comparison group
- Mixed results for subset of beneficiaries (~10%) looking for new physician
 - Slight increase from 2006 survey in percentage reporting difficulty finding new primary care physician
 - Privately insured comparison group reports less difficulty finding new primary care physician
 - Beneficiaries report finding new specialist was less difficult than finding new primary care physician

Payment adequacy: Other indicators

- **Physician surveys:** Most accepting new Medicare patients, percentage is steady over past few years
- **Supply:** Number of physicians billing Medicare FFS has kept pace with Medicare enrollment
- **Volume:** Continued growth in the use of physician services per beneficiary
- **Quality:** Most ambulatory care quality indicators show stability or small improvements

Ratio of Medicare to private payer physician fees is steady



Review of Commission discussions on improving the value of physician services

- Rapid volume growth may be sign of inaccurate fee schedule prices
 - Medicare should establish expert panel to identify potentially misvalued services, consider automatic adjustments
- Rapid growth of new diagnostic and therapeutic services without comparative effectiveness evidence
 - The Congress should charge independent entity to sponsor, disseminate comparative effectiveness research
- Wide variations across geographic areas in service volume with no correlation to quality, outcomes
 - Medicare should measure physicians' resource use and share results with physicians