

Part B Insider (Multispecialty) Coding Alert

PHYSICIAN PAYMENTS: Can Anything Save Physician Payments?

Now it's clearer than ever that physicians will suffer negative updates for the next few years at least, and the chorus of voices calling for a reform to the payment formula is increasing.

Unlike other providers, whose payments rise every year according to the Consumer Price Index, barring Congressional action, physicians' payments depend on a more complex calculation. The **Centers for Medicare & Medicaid Services** must look at whether physician spending hit the previous year's targets, and factor in growth in the Gross Domestic Product.

Only a dramatic recovery in GDP growth or a steep drop in the volume of physician services can save physicians from steep cuts in 2004 through 2007, CMS Administrator **Tom Scully** predicted at the March 17 physician Open Door Forum. "There are a lot of moving parts between now and the actual conversion factor, which has to be put out in a final rule" in January, Scully said.

Nor is the dour prognosis due to problems with the formula Medicare uses to calculate physician payments, Scully insisted. "I think the formula's largely back on track, and if the number's negative it's going to be largely to do with volume and the economy and other things."

Needless to say, others disagree. They point to the arbitrariness of using GDP to set physician payments, and call for a fix to the broken system, instead of occasional Congressional tinkering like the most recent increase. (See PBI, Vol. 4, no. 5, article 3).

There are some signs of hope on the horizon. The **Medicare Payment Advisory Commission** proposed reforming physicians' Sustainable Growth Rate system in its March 2002 report, but it hasn't repeated that call since then. MedPAC recommended replacing a measure of the previous year's inflation with an estimate of the coming year's price spikes. MedPAC also recommended removing a factor CMS uses to avoid paying twice for any growth in physicians' productivity - once in calculating updates and once in paying for added services.

The **House Ways & Means Health Subcommittee**, led by Rep. **Bill Thomas** (R-CA), has considered reforming this tangle of formulae in the past as well. But a source at the subcommittee tells PBI that any such changes would have to be considered in the context of the President's overall Medicare reform plan.

"Chairman Thomas has worked diligently over the past two years to make adjustments to physician payments," notes the committee source. Since the committee just got done rescuing physicians from this year's projected cut, it's not clear when or how the committee will return to [physician reimbursements](#).

The Health Subcommittee will probably address the Medicare reform issue as soon as it finishes with the President's economic growth package, the source added.

Spending for other Part B services, such as durable medical equipment and lab services, goes up by increases in the Consumer Price Index, instead of being tied to GDP like physician services. The only constraint on these increases comes from legislation, the Medicare Trustees report noted. These services also have increased as the population has aged, volume has gone up and services have become more pricey.

DME spending rose a startling 20 percent in 2002 according to the Trustee's report, "highlighted by the ever-popular low-rise wheelchairs," quipped Scully. The DME increases were "far faster than anyone expected," Scully added.

