

Part B Insider (Multispecialty) Coding Alert

PHYSICIAN PAYMENTS: Lawmakers Finally Ready To Grapple With Looming Physician Pay Cuts

But are they willing to spend enough to prevent a 31-percent shortfall?

If you've been holding your breath waiting for Congress to confront the physician payment disaster on the horizon, then you can exhale at last.

Lawmakers finally considered the options for fixing the troubled physician update formula at a Feb. 10 hearing of the **House Ways and Means Health Subcommittee**. Subcommittee Chair **Nancy Johnson** (R-CT) said she's in favor of paying physicians based on their quality of care and asked physicians to come up with suggestions for quality indicators.

"I don't believe the old formula ... can be fixed," Johnson said. "We need to fundamentally rethink the way we pay our doctors." Congress rescued physicians from potential cuts in 2004 and 2005 by mandating payment increases, but didn't address the formula that called for cuts.

One major problem with the current approach: "The best and the worst providers receive the same reimbursement," Johnson said. Already, hospitals are receiving more payments if they report quality measures related to information technology. Now physicians need to step up to the plate and propose their own quality indicators.

Even with a congressional heavyweight like Johnson behind physician payment reform, the issue faces an uphill struggle. Time may be a scarce commodity with battles over Social Security and federal spending on the way.

The subcommittee's top-ranking Democrat, Rep. **Fortney "Pete" Stark** (CA), said that revamping Medicare physician payment is long overdue. Congress made the situation worse by putting off a real fix, he said. But Stark seems less inclined than Johnson to move quickly toward a pay-for-performance model.

Experts Debate 2 Main Options

A crisis is looming over patients' access to physician services, according to **Nancy Nielsen**, an internist who testified at the Feb. 10 hearing on behalf of the **American Medical Association**. With payments set to fall 31 percent by 2013, physicians won't be able to afford to keep providing many money-losing services. She blamed the shortfall on an outdated "market basket" of services that Medicare uses to determine the proper growth rate for physician payments, in addition to Medicare's expanded coverage for new treatments that have driven spending higher.

The current system, which measures physician spending according to pre-set targets based on growth in the Gross Domestic Product, doesn't provide any incentive for physicians to provide fewer or cheaper services, testified **Glenn Hackbarth**, chairman of the **Medicare Payment Advisory Commission**. If anything, steep cuts encourage individual physicians to provide more services to make up the shortfall.

Option #1: Hackbarth repeated MedPAC's previous recommendation that Medicare should boost physician payments by the rise in "input prices" minus 0.8 percent, for a 2.7 percent total increase. But Medicare also should use "pay for performance" initiatives to reward doctors who care for patients more efficiently. And the program should take steps to crack down on imaging services, including:

1. requiring more certification for doctors interpreting imaging scans;
2. tightening rules against physicians sending business to imaging companies they invest in; and

3. adding coding edits and discounts for multiple imaging scans.

The MedPAC recommendation would boost Medicare spending by 22 percent, claimed **Bruce Steinwald**, director of health care, economic and payment issues with the **Government Accountability Office**.

Option #2: Steinwald cited three other possibilities for fixing the Sustainable Growth Rate formula: 1) set the allowed growth rate to the GDP increase plus 1 percent, 2) reset the "spending base" for the formula to account for the increases that Congress mandated, and 3) remove fast-rising Part B drug spending from the formula. All three of those items combined would boost spending by 23 percent.

What to expect: The high price tag of a long-term solution in these deficit-conscious times makes it more likely that Congress will opt again this year for enacting a modest one-year pay boost, perhaps accompanied by demonstration projects or other small initial steps to pave the way for an eventual large-scale pay-for-performance program.