

Part B Insider (Multispecialty) Coding Alert

PHYSICIAN PAYMENTS: 'Vicious Cycle' Runs Over Physician Payments

Enjoy that 1.6 percent payment increase for 2003. It could be the last boost you see for some time.

Forget about that 2.5 percent pay raise the **Medicare Payment Advisory Committee** promised doctors in its latest report. Physician payments will be lucky to escape with a shave and a haircut, if not an actual decapitation.

The Medicare Trustees' report sealed physicians' doom. Released March 17, it claimed Medicare Part B spent 11.6 percent more in 2002 than in 2001. A "significant growth in the volume and intensity of services performed by physicians" contributed heavily to the increase, the report said.

That binge, plus worsening numbers for gross domestic product (GDP) growth, will lead to negative updates to the conversion factor that governs physician payments for 2004 and following years. "There will be a ripple effect for years to come," predicted **Centers for Medicare & Medicaid Services** Administrator **Tom Scully** at a physician Open Door Forum the same day the report came out.

The Trustees' report predicts a negative 4.4 percent update in 2004, followed by negative 1.7 in 2005 and negative 1.9 percent in 2006. Physicians would see modest positive updates in 2008 through 2012 in the Trustees' scenario.

In a March 20 letter to MedPAC, CMS predicted the 2004 update would be between negative 5.6 percent and 0.6 percent, but would probably end up around negative 4.2 percent.

Physicians have only themselves to blame for the lean times ahead, Scully claimed. Instead of the 2 percent increase in physician spending CMS had expected, spending went up a whopping 8 percent. Medicare cut physician payments 5.4 percent last year, and Scully said the new numbers proved the theory of "behavior offset," in which physicians increase the amount of services they provide to compensate for cuts.

"It's pretty obvious that physicians reacted to the negative 5.4 percent conversion factor by jacking up volume of services," Scully insisted. "Unfortunately, that keeps coming back around" in a "vicious cycle," he added.