

Part B Insider (Multispecialty) Coding Alert

REIMBURSEMENT: CMS Should Act To Save Physician Payments, Legislators Insist

Removing drugs from formula would help avoid steep cuts

Avoiding an estimated 31 percent pay cut for physicians from 2006 to 2012 would be "prohibitively expensive," two influential legislators warn.

Unless the **Centers for Medicare & Medicaid Services** acts to fix the Sustainable Growth Rate (SGR) formula for physician payment updates, Congress will be unable to avert the roughly 5 percent annual cuts over the next seven years, warn Rep. **Bill Thomas** (R-CA) and **Nancy Johnson** (R-CT), chairs of the **House Ways & Means Committee** and **Health Subcommittee** respectively, in a July 12 letter to CMS.

CMS could do two things to adjust the assumptions in the SGR, and therefore rescuing physician payments appear less expensive, say Thomas and Johnson:

1. Remove drugs retroactively from the SGR. Currently the formula includes drugs provided incident-to a physician's services, which have been rising much faster than other physician services. "Drugs are not administered under the physician fee schedule," so it's "illogical" to include them in physicians' spending totals, the letter chides. CMS has the authority to remove drugs from the formula and thus reduce the need for steep cuts.
2. Allow for the costs of new and expanded benefits. When CMS adds coverage for services such as PET scans for Alzheimer's patients, cochlear implants, carotid artery stenting and photodynamic therapy for macular degeneration, it increases physician spending and adds to the pressure for cuts. CMS should share its estimates of the costs of these new coverage decisions with Congress, Thomas and Johnson insist.

The letter to CMS Administrator **Mark McClellan** also states that Thomas and Johnson are looking forward to working with CMS on devising financial incentives for physicians to improve their outcomes and adopt information technology.

Separately, the influential **Congressional Research Service** says Congress may want to consider "technical modifications" to the Average Sales Price methodology for pricing Medicare Part B drugs. Congress may also want to look at revising the controversial Competitive Acquisition Program for Part B drugs, in a report called "Medicare: Payments for Covered Part B Prescription Drugs" (RL31419).

The report notes that oncologists have reported difficulty in obtaining drugs at the new ASP plus six percent levels. But the CRS analyst also notes that CMS has promised to monitor "any shifts or changes in utilization patterns."