

Part B Insider (Multispecialty) Coding Alert

REIMBURSEMENT: Double-Digit Physician Spending Growth Bad Omen For 2006

What's behind the skyrocketing payments?

Physician spending rose a startling 15.2 percent in 2004 - the largest increase since the fee schedule began in 1992.

This figure makes it less likely that policymakers will be able to make structural changes to the way Medicare updates physician payments. And this in turn may make avoiding next year's forecasted 4.3 percent cut more difficult.

No one is quite sure why physician spending went up so fast, according to testimony at the **Medicare Payment Advisory Commission** meeting on April 21 and 22. The slight 1.5 percent increase in Medicare rates doesn't explain such steep growth, and neither do changes to chemotherapy reimbursement last year.

The main culprits behind this dramatic surge appear to be sharp increases in imaging scans and "minor procedures," including physical therapy. MedPAC already has recommended curbing some physician's ability to interpret imaging tests, with new credentialing requirements.

The cause: The commissioners considered a few theories to explain the rise, including:

1. **Turf war.** Specialties are invading each other's areas, "whether it's the ENT people now doing endoscopy or the neurologist now doing all the infusion therapy," said physician **Ralph Muller**.
2. **More screening tests.** More patients are asking for hypertension screenings, cholesterol management, cancer screenings and diabetes counseling, and so physicians have to shorten visits and document higher evaluation and management levels, said physician **Alan Nelson**.
3. **Defensive medicine.** Physicians are trying to minimize lawsuits by testing for any possible problem, say commissioners.
4. **Shift from hospitals.** Hospital spending increased by less than expected last year, possibly because some procedures moved to the doctor's office, noted **Sharon McIlrath** with the **American Medical Association**.

Itchy trigger figure: The Medicare Modernization Act imposed a "trigger" on Medicare Part B spending. If forecasts show that tax revenues (as opposed to the hospital trust fund) will account for more than 45 percent of all Medicare spending for two years in a row, then the law requires the president and Congress to consider emergency legislation to correct this situation in a short timeframe. Current figures mean that Medicare spending is increasingly likely to pull this trigger in 2006 or 2007.

Bottom line: Physicians' skyrocketing spending ends up costing patients more. Medicare premiums may increase by as much as 14 percent in 2006, on top of the 17 percent increase so far in 2005.