

Part B Insider (Multispecialty) Coding Alert

REIMBURSEMENT: Medicare Physician Payments 'Adequate,' Says MedPAC

Physicians should enjoy the meager payment increase they wrangled from Congress last month. It could be the last boost they reap for a long time to come.

At least that'll be the case if Congress listens to its advisory body, the **Medicare Payment Advisory Commission**. MedPAC delivered a report to Congress March 6 that said physician payments were "adequate" following Congress' move to turn a 4.4 percent cut into a 1.6 percent increase for 2003.

For 2004, MedPAC advises Congress and the **Centers for Medicare & Medicaid Services** to pass an update that "equals the estimated change in input prices for physician services, less an adjustment for productivity growth." This will probably total 2.5 percent. In other words, back to the same old formula.

MedPAC admits it sees a "mixed picture" when assessing the adequacy of physician payments. The number of physicians billing Medicare has increased in recent years, and nationally patients seem to have access to physician services.

But anecdotal evidence suggests some geographic markets and specialties are developing access problems, MedPAC frets. A national survey of physicians reveals more caution in accepting new Medicare patients - but also in accepting new managed care and Medicaid patients. MedPAC admits Medicare rates have fallen in relation to private pay rates, but they're still above 1990s levels.

With or without further cuts, physician spending will increase as the total volume of physician services goes up, MedPAC warns. The **Congressional Budget Office** forecast in March 2002 that physician spending would shoot up an average 4 percent per year from 2001 to 2006, even with "negative updates" all five years.

Physician payments have increased at an average rate of 4.9 percent every year since 1991, MedPAC notes. These increases "may indicate that the program's payment rates are too high."

Physicians' Medicare participation rates, another leading indicator of satisfaction with payment levels, have gone up steadily, MedPAC notes, from 80.2 percent in 1997 to 89.7 percent in 2002.

MedPAC fails to address the basic problems with the formula Medicare uses to calculate physician payments, says attorney **Allison Shuren** with **Arent Fox Kintner Plotkin & Kahn** in Washington. Under the formula, CMS estimates how many enrollees it expects to be in fee-for-service Medicare each year, and plugs in the nation's gross domestic product to figure out how much to pay physicians.

In 1998 and 1999, the then **Health Care Financing Administration** overestimated how many beneficiaries would join Medicare+Choice plans. Thus, CMS underestimated how many beneficiaries would be in the original Medicare plan and went over budget on physician services. To make up for this error, CMS had to cut spending in following years, and physicians have suffered ever since from CMS' miscalculation.

To allow CMS to increase physician payments instead of cutting them this year, Congress had to give CMS immunity from lawsuits, Shuren explains. But Congress failed to address the more basic problem of this awkward formula that incorporates GDP and other irrelevant numbers.

"When you think about it, it really makes no sense that it should be tied to GDP," Shuren adds. GDP provides a marker for inflation, "but just because inflation may increase, it doesn't mean beneficiaries are going to say, 'I'm not going to get my eyes checked because inflation is up.'"

