Part B Insider (Multispecialty) Coding Alert

Studies & Surveys: Sticker Shock May Scare Congress Out Of Saving Docs From Cuts

Brace yourself for seven years of nightmares

Enjoy that 1.5 percent increase in Medicare payments - the boost could be the last for a while.

The problem: Because of the Sustainable Growth Rate, a formula that Congress passed into law in 1997, any rise in Medicare physician spending over the economy's rate of growth has to result in a cut to payments the following year. Because Congress replaced sharp cuts in Medicare payments for 2004 and 2005 with 1.5 percent increases in both years, docs are facing cuts averaging 5 percent per year from 2006 to 2012.

Policy wonks have offered lots of plans for avoiding this nightmare. But a new **Government Accountability Office** (GAO) report shows that these solutions would raise Medicare spending by 4 percent to 23 percent from 2005 to 2012.

GAO Eyes Two Possible Solutions

There are two kinds of solutions to this problem, the GAO says. "One approach would end the use of spending targets - separating fee updates from efforts to moderate spending growth." The **Medicare Payment Advisory Commission** has recommended tying fee updates to estimated changes in physicians' cost of providing services. MedPAC has also recommended trying to control spending by specifically targeting high-growth spending, such as service categories like imaging or geographical regions where resource use is high.

The MedPAC plan "would result in positive and relatively stable fee updates," says GAO. According to the **Centers for Medicare & Medicaid Services** actuaries, annual physician fee updates under such a system would be in the 2.1 to 2.4 percent range between 2006 and 2014, and would cost an extra 22 percent over ten years. But that estimate doesn't include cost-control mechanisms that MedPAC favors.

The other idea involves keeping the SGR formula but tweaking it somehow. GAO examines several potential changes and concludes that they would raise aggregate 2005-2014 spending by between 4 percent and 23 percent, depending on the modification.

The **Department of Health and Human Services** could exclude Part B drugs from the SGR formula's definition of "services furnished incident to physician services ," without seeking new authority from Congress. That modification would increase spending by 5 percent over current law, according to the GAO.

Congressional Intervention Could Work

But Congress could also take some steps to repair the SGR. Legislators could:

change the base year for the SGR to some recent year, so the targets aren't based on old spending.

get rid of the requirement to recoup all previous excess payments in successive years. Instead, Medicare could "forgive" spending that went over targets one year.

allow Part B spending to grow faster than the overall economy.

Congress seems intent on tackling the SGR, and various legislators suggest they'll try to do the job next year. Meanwhile, CMS Administrator **Mark McClellan** has indicated that he's more likely to favor other means of adjusting physician reimbursement, such as implementing pay-for-performance programs.

Report Could Be Useful Reminder

Even though the watchdog agency warned of huge spikes in Medicare payments, the GAO report is useful because the warnings reminded Congress of the problem, says **Rich Trachtman** with the **American College of Physicians**. And the GAO pointed out that scrapping the SGR might not cost any more than tinkering with it. Congress may decide to go to a "lock-stock-and-barrel different approach" instead of trying to salvage the broken SGR, Trachtman hopes.

Also, the GAO seemed to think that removing drugs from the SGR would be a positive step, Trachtman notes. That one change would relieve much of the pressure to slash and burn physicians' reimbursement next year.

The steep pay cuts in store for next year will hurt all doctors, but they will especially harm doctors who are taking care of the sickest and most vulnerable beneficiaries, says **Hugh Trout**, a vascular surgeon in Baltimore, MD.