NATIONAL HEALTH POLICY FORUM

Forum Session
Meeting Announcement

Friday, October 13, 2006
8:30–9:00am — Breakfast
9:00–11:00am — Session

Medicare Physician Spending: Past as Prologue?

A Discussion Featuring:

Gail Wilensky, PhD
Senior Fellow
Project HOPE

With Commentary From:

Paul Ginsburg, PhD
President
Center for Studying Health System Change

Alan R. Nelson, MD
Special Advisor
American College of Physicians

Karen Borman, MD
Professor of Surgery and *Vice Chair for Surgical Education*
University of Mississippi Medical Center

Location

Hyatt Regency Capitol Hill
400 New Jersey Avenue, NW
Regency A Room

Registration Required

Space is limited. Please respond as soon as possible.

Send your contact information by e-mail to: **nhpfmeet@gwu.edu**

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON DC

Medicare Physician Spending: Past as Prologue?

OVERVIEW

This meeting will present an historical perspective on physician spending in the Medicare program and Medicare's attempts to curb its growth. It will include a national overview of physician responses to Medicare's payment approach and views from the primary care and specialty physician communities.

For more information – *See forthcoming National Health Policy Forum Issue Briefs on Medicare physician spending and Medicare's sustainable growth rate (SGR), by Laura A. Dummit, scheduled for release in early October.* ■

SESSION

In what has become an annual tradition, physicians and their representatives are journeying to Capitol Hill to argue for larger Medicare fee increases. These treks began when the legislated update to physician fees was negative in 2002. The formula for updating fees for physician services—the sustainable growth rate methodology, or SGR—has determined that those fees should be reduced for 2007 and annually over the next several years to bring Medicare's spending on physician services in line with a budgetary target.

Medicare spending on physician services, which accounts for 16 percent of total Medicare spending, increased by over 9.5 percent per beneficiary in 2005 to reach $57.8 billion. Much of this increase was due to rising volume and intensity of physician services. That is, more services or more complex services were delivered to beneficiaries. While there is growing consensus that reducing physician fees over several years could be detrimental to beneficiary access to physician services, there is little consensus about the appropriate level of physician spending and how to ensure that physician spending meets the needs of Medicare beneficiaries.

The history of physician spending growth and past attempts to slow spending increases may shed some light on how to address this issue in the future. In conjunction with the implementation of the resource-based relative value scale (RBRVS) fee schedule, Medicare linked the update of the fees with the total amount spent on physician services. This update methodology, the volume performance standard (VPS), was intended to provide a collective incentive for physicians to control the volume and

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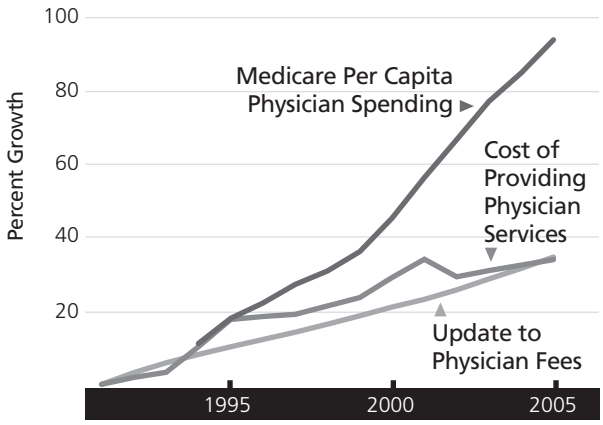
intensity of services delivered. The VPS proved to be too stringent, so it was replaced by the SGR methodology. The SGR methodology incorporates a spending target that accounts for inflation in the cost of providing physician services and growth in the overall economy. Fees are updated by more than inflation if total spending is below the target, but the fee update is less than inflation if total spending is above the target.

Although spending growth slowed after the implementation of these policies, Medicare spending on physician services has continued to climb faster than inflation or the update to physician fees. Since 2003, Congress has suspended the negative updates determined through the SGR methodology and substituted a zero or positive update. Physician representatives are requesting this intervention again for 2007. These congressional overrides alone are evidence that the SGR approach to controlling physician spending is broken. The annual overrides suggest the difficulty of effectively addressing this issue.



Past as Prologue? Medicare's spending on physician services per beneficiary has grown much faster than either inflation in the cost of providing those services or the increase in Medicare's physician fees.

KEY QUESTIONS

- How can Medicare's experiences with controlling physician spending inform future policy changes? What have been the consequences of Medicare's efforts to slow physician spending growth? How should Medicare's experience with the VPS and the SGR influence changes to its approach on payment and spending control?
- What characteristics of physician services, providers, and the health care delivery system affect Medicare's ability to curb physician spending? How does the role of the physician as gatekeeper to most other health care services contribute to spending growth?
- The growth in physician spending differs across geographic areas, types of services, and medical specialties. How should Medicare's policies account for differences in spending and service use across geographic areas? Types of services? Medical specialties?
- The SGR mechanism affects fees for all physician services, even though it may be appropriate for some services to increase, but not others. Are there ways to target undesirable spending growth in a national program? Who should determine which spending is desirable or undesirable?

SPEAKERS

Gail Wilensky, PhD, an economist and a senior fellow at Project HOPE, analyzes and develops policies relating to health care reform and ongoing changes in the health care environment. Dr. Wilensky is a commissioner on the World Health Organization's Commission on the Social

Determinants of Health; an elected member of the Institute of Medicine of The National Academies and its Governing Council; vice chair of the Maryland Health Care Commission; and a trustee of the Combined Benefit Fund of the United Mine Workers of America, the American Heart Association and the National Opinion Research Center. In past positions, she was administrator of the Health Care Financing Administration (now called the Centers for Medicare & Medicaid Services), directing the Medicare and Medicaid programs; chair of the Medicare Payment Advisory Commission; and chair of the Physician Payment Review Commission.

Paul Ginsburg, PhD, is president of the Center for Studying Health System Change (HSC). Founded in 1995, HSC conducts research to inform policymakers and other audiences about changes in the organization of financing and delivery of care and their effects on people. Dr. Ginsburg served as the founding executive director of the Physician Payment Review Commission (now the Medicare Payment Advisory Commission), which developed the Medicare physician payment reform proposal that was enacted by the Congress in 1989. Dr. Ginsburg was a senior economist at RAND and served as deputy assistant director at the Congressional Budget Office.

Alan R. Nelson, MD, an internist-endocrinologist, was in private practice in Salt Lake City, Utah, until becoming chief executive officer of the American Society of Internal Medicine (ASIM) in 1992. Following the merger of ASIM with the American College of Physicians (ACP) in 1998, Dr. Nelson headed the Washington office until his semi-retirement in January 2000. Currently, he serves as special advisor to the executive vice president/chief executive officer of the College. Dr. Nelson was on the Medicare Payment Advisory Commission from May 2000 until May 2006. He has served on more than a dozen Institute of Medicine (IOM) committees and review panels, including the IOM Council.

Karen R. Borman, MD, is a professor of surgery and vice chair for surgical education at the University of Mississippi Medical Center. She is a newly appointed member of the Medicare Payment Advisory Commission. Dr. Borman is a member of the American College of Surgeons' General Surgery Coding & Reimbursement Committee and is on the board of directors of the American Board of Surgery. She was a member of the executive committee and vice chair of the American Medical Association's Current Procedural Terminology editorial panel. Dr. Borman frequently works with the Centers for Medicare & Medicaid Services on issues related to the Medicare fee schedule, coding, assistants-at-surgery coverage policies, and the Medicare resource-based relative value scale.