



Advising the Congress on Medicare issues

Services provided under the in-office ancillary exception to the physician self-referral law

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Outline

- Background on in-office exception
- Analysis of ancillary services provided on same day as office visit
- Options to address concerns about in-office exception

What is the physician self-referral law?

- Prohibits physicians from referring Medicare/Medicaid patients for “designated health services” to a provider with which physician has financial relationship
- But in-office ancillary exception permits physicians to provide most DHS in their offices (e.g., clinical lab tests, imaging, physical therapy)

Potential benefits and concerns of providing ancillary services in physician offices

- **Benefits**

- Enables physicians to make rapid diagnoses and initiate treatment during patient's office visit
- Improves patient convenience and adherence
- Coordination of care

- **Concerns**

- Could lead to higher overall volume through greater capacity, financial incentives
- Studies find that physician self-referral associated with higher volume
- Unclear whether additional services are appropriate or contribute to improved outcomes

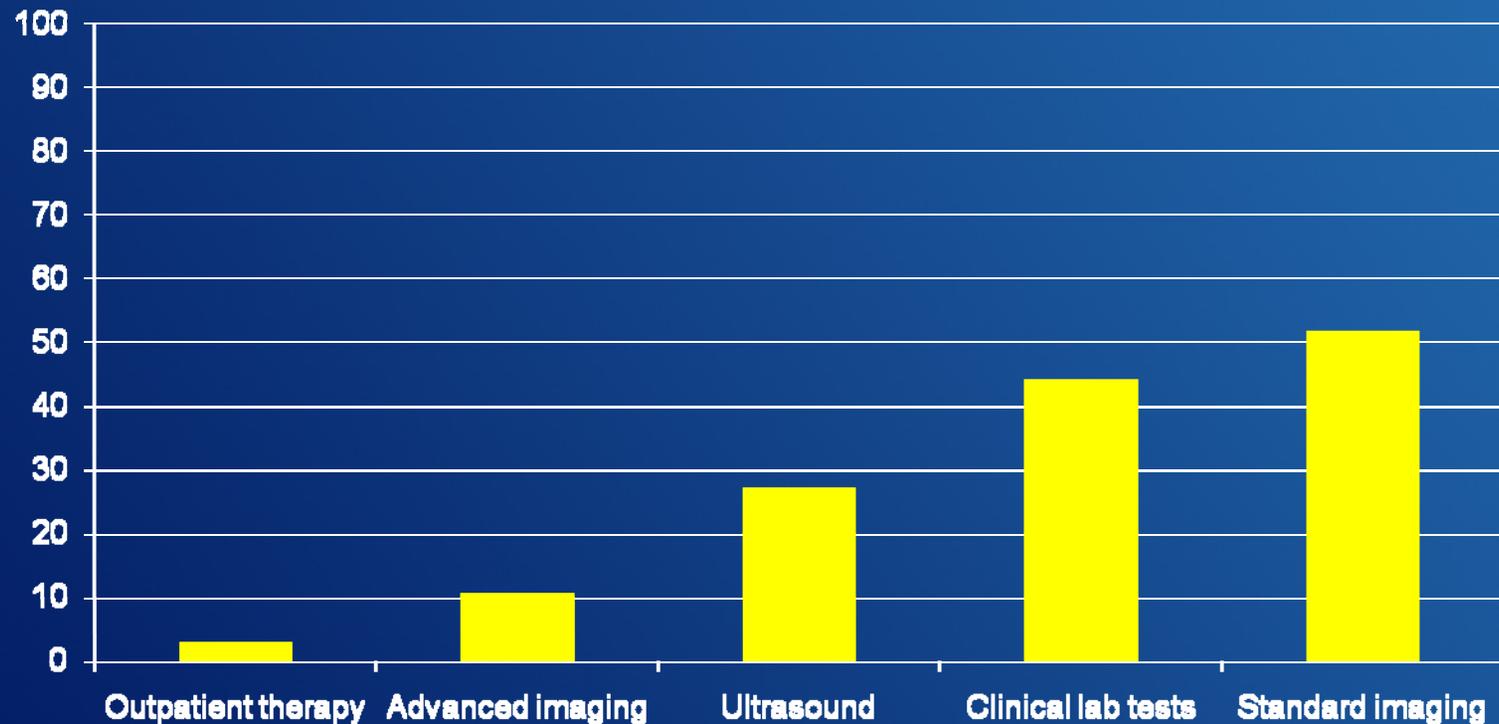
Growth of ancillary services in physician offices

- Increase in imaging, lab tests, physical therapy in physician offices
- In 2007, CMS asked for comment on whether certain services should no longer qualify for exception

How frequently are ancillary services provided on same day as an office visit?

- Determined whether each outpatient therapy service, lab test, or imaging study could be linked to an office visit
- Examined whether ancillary service was performed on same day as office visit, up to 7 days after visit, or up to 14 days after visit
- Sample includes services provided in both self-referral and non self-referral situations

Percent of ancillary services performed on same day as related office visit, 2008



Note: Outpatient therapy includes physical therapy, occupational therapy, and speech language pathology services. Advanced imaging includes MRI, computed tomography, and nuclear medicine. Ultrasound includes echocardiography and other echography. Standard imaging includes chest, musculoskeletal, and other X-rays.
Source: MedPAC analysis of 5 percent carrier Standard Analytic File from CMS, 2008.

Additional points about imaging services

- Share of imaging studies performed on same day as office visit declined from 2007 to 2008 (despite overall volume growth)
- Variation in how frequently advanced imaging performed on same day as visit (2008)
 - Nuclear medicine: 8%
 - MRI: 8-9%
 - CT (head): 25%
- Physicians who own machine and can order imaging more likely to perform services on same day as visit

Options to address concerns about in-office exception

- Excluding certain services from exception
 - Outpatient therapy and radiation therapy
 - Diagnostic tests that are not usually provided at same time as office visit
- Payment tools
 - Reduce payment rates for tests performed by self-referring physicians
 - Packaging or bundling
- Prior authorization program for physicians who self-refer for advanced imaging

Excluding outpatient therapy and radiation therapy from in-office exception

- Physician investment in outpatient therapy & radiation therapy may skew decisions about treatment
- Outpatient therapy & radiation therapy not generally associated with office visits; involve multiple sessions

Excluding diagnostic tests that are not usually provided at same time as office visit

- Certain tests are rarely used by physicians to make rapid diagnoses during office visit
- Options for defining which tests should be covered by exception
 - Tests that are frequently provided on same day as visit (based on numeric threshold), or
 - Tests that do not require advance patient preparation
- Several implementation challenges

Reducing payment rates for tests performed by self-referring physicians

- Evidence that self-referral of imaging and lab tests associated with increased volume
- Lower payment rates for self-referring physicians could offset additional Medicare spending
- CMS could exempt tests frequently done on same day as office visit
- Payment reductions should discourage new investments in ancillary services, but may stimulate volume increases

Combining multiple services into a single payment (packaging or bundling)

- Could encourage efficient use of ancillary services
- Would not prohibit self-referral arrangements
- But much analytic work needs to be done to identify and price cohesive bundles of services

Prior authorization program for physicians who self-refer for advanced imaging

- Focus on self-referring physicians who
 - Order more studies than their peers, or
 - Order services that are not provided on same day as office visit
- Would target inappropriate use of imaging without prohibiting self-referral
- Would present many challenges

For Commissioner discussion

- Requests for additional analysis or data?
- Which strategies should we pursue?
- Should we examine additional options?