



Advising the Congress on Medicare issues

Pricing services in the physician fee schedule

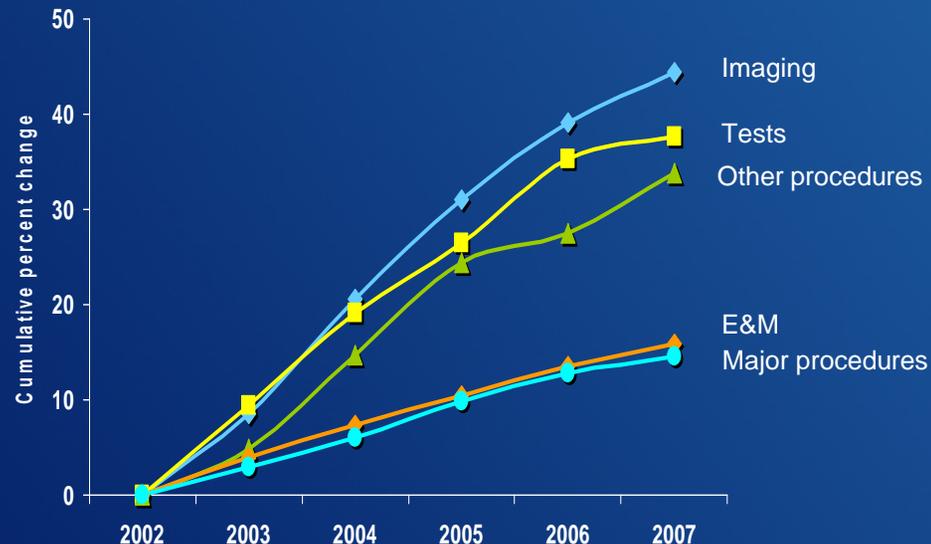
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Components of physician payment

$$\begin{array}{ccccccc} \text{Physician} & & \text{Practice} & & \text{Professional} & & \\ \text{work} & + & \text{expense} & + & \text{liability} & = & \text{Total} \\ & & & & \text{insurance} & & \\ \\ 52\% & & 44\% & & 4\% & & \end{array}$$

Are the fee schedule's prices accurate and equitable?

- Inaccurate prices can affect patterns of care
- Volume has continued to grow, especially for some types of services



Note: (E&M Evaluation and management).
Source: MedPAC analysis of claims data for 100 percent of Medicare beneficiaries.

Pricing of physician services is timely

- Next 5-year review of RVUs begins this fall
- Previous reviews led to far more increases than decreases



Source: AMA, RVS update process, 2006

- Study for HHS linking payment and volume growth
- Previous Commission discussion

Issues in pricing physician services

- Accuracy of estimates used to determine the fee schedule's work RVUs
- Physician work and whether it's defined broadly enough
- Accuracy of the fee schedule's RVUs for practice expense
- Pricing services furnished together during multi-service encounters

Accuracy of estimates for physician work

- Physician work: time and intensity
- Physician time for some services may be overestimated
- Colonoscopy
 - Fee schedule's estimate: 30 minutes
 - Published research: 13.5 minutes

Revisit the definition of physician work?

- Definition is time and intensity
- Intensity
 - Mental effort and judgment
 - Technical skill and physical effort
 - Stress
- Compensation per hour

Considerable differences in physician compensation per hour

	Compensation per hour	Percent of office visit amount
Electrocardiogram, interpret and report	\$ 53	61 %
Office visit, established patient	87	100
Colonoscopy	106	122
CT, pelvis, supervise, interpret, and report	139	160

Note: CT (computed tomography). HCPCS codes for the services are 93000 (electrocardiogram), 99213 (office visit), 45378 (colonoscopy), and 72193 (CT).
Source: MedPAC analysis of CMS RVU and physician time files for 2009.

Accuracy of estimates for practice expense RVUs

- Practice expense includes direct and indirect costs
- CMS uses specialty-specific cost data to update indirect costs
- Data are not current for most specialties
- CMS has proposed using new practice cost information for 2010
- How to keep cost data accurate over time?

Pricing services furnished together

- CMS reduces payments for multiple surgical (and multiple imaging) services performed in same encounter
 - Accounts for efficiencies in practice expense
- But policy does not apply to other services or physician work
- GAO estimated \$500 million per year in savings if policy were expanded to other services

Plans to examine pricing of services furnished together

- RUC and CPT panel formed workgroup to examine services provided together
 - CPT plans to consider coding changes in 2010-2011
- CMS plans to examine efficiencies when services furnished together
- Outcome of efforts is uncertain

Issues for discussion

- Should Commission examine revisions to the physician fee schedule?
- If so, which issues are most important?
- Does CMS have sufficient resources?