

## **Pricing services in the physician fee schedule**

**ISSUE:** The pricing of physician services is a topic that is timely. In November, CMS will begin a process known as the 5-year review with a request for public comments on services in the physician fee schedule that may be misvalued. The Commission made recommendations in 2006 on ways CMS could improve the 5-year review. Now may be a good time to revisit those recommendations. Separately, a recent report—for the Assistant Secretary for Planning and Evaluation in the Department of Health and Human Services—suggests a link between pricing of physician services and volume growth.

**KEY POINTS:** Improving payment accuracy is a step in the evolution of Medicare’s payment systems. Medical homes, bundled payments, accountable care organizations, and other innovations would move payment systems away from fee-for-service (FFS) and toward systems of providers who accept some level of risk. In the meantime, accurate FFS prices are needed to ensure that pricing does not unduly affect utilization.

**ACTION:** Staff seek Commissioner feedback on two questions. First, should the Commission revisit the pricing of services in the physician fee schedule? Second, if the Commission works more on this topic, which issues are most important?

**STAFF CONTACT:** Kevin Hayes (202-220-3716) and Ariel Winter (202-220-3755)