

*Advising the Congress on Medicare issues*

# Mandated report: Geographic adjustment of payments for the work of physicians and other health professionals

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# Commission's mandate

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- Should the physician fee schedule have a geographic payment adjustment for the work effort of physicians and other health professionals?
- If so, how should it be applied?
- What are the impacts of the current adjustment, including its impacts on access to care?

# Framework for evaluating policy options

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- How does the recommendation impact Medicare program spending?
- Will it improve beneficiary access to care?
- Will it improve the quality of care beneficiaries receive?
- Will the recommendation advance payment reform? Does it move away from fee-for-service and encourage a more integrated delivery system?

# Today's presentation

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- Geographic practice cost index (GPCI) for work
  - Concept and implementation
  - Correlation with alternate measures of geographic variation in input prices
- Impact of the work GPCI on access to care
- Impact of work GPCI on spending
- Chairman's draft recommendation

# Work GPCI: Concept

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- Theory: Wages for cost of living and amenities
- Issues in observing wage differentials:
  - Market factors
  - Volume of services
  - Return on investment
- Payment issue: Circularity

# Work GPCI: Implementation

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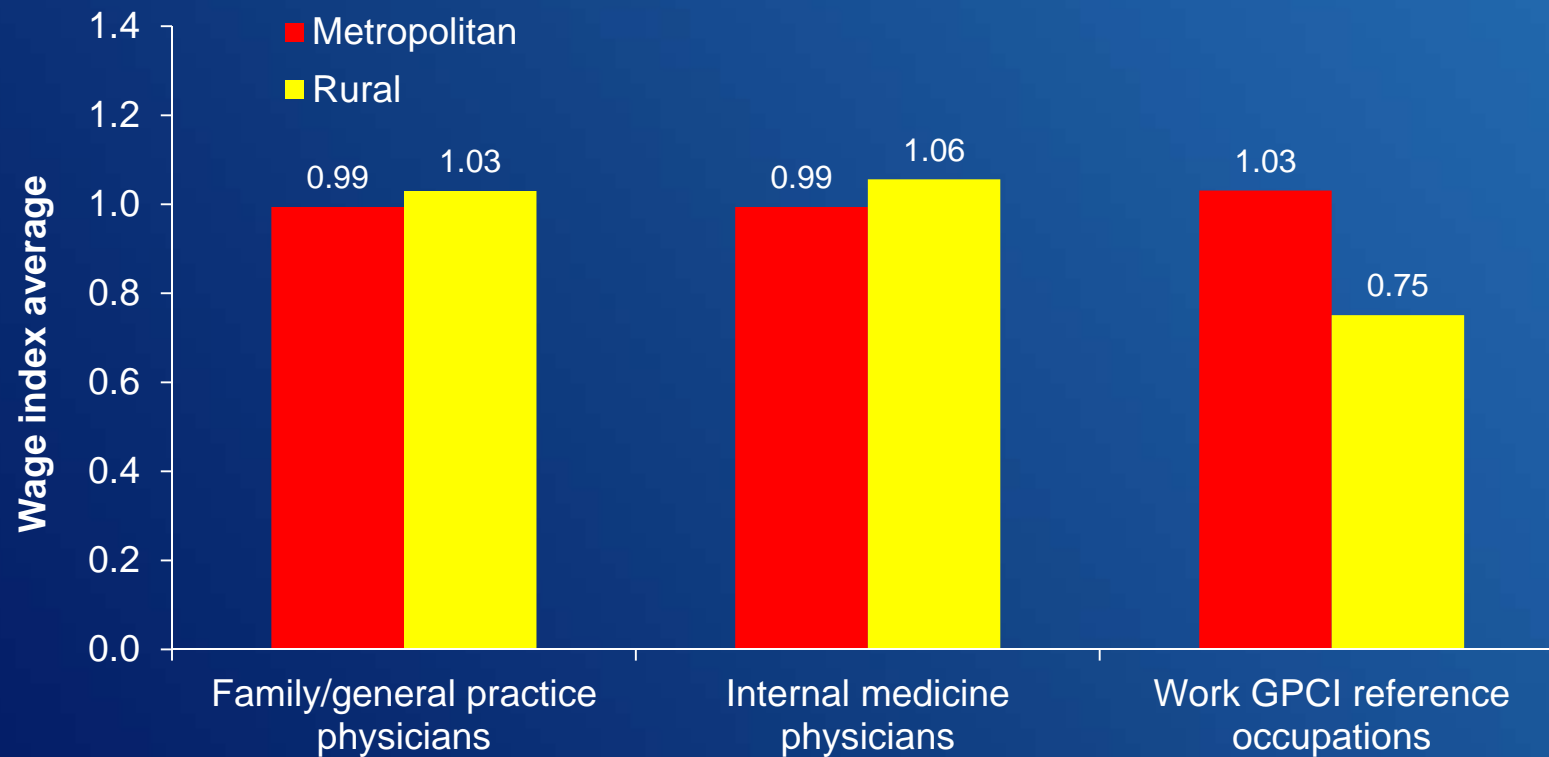
- Constructed with BLS data for seven reference occupations
- Issues
  - Data not available to validate work GPCI
  - Labor markets—reference occupations vs. physicians/other health professionals—may differ

# Limitations of BLS data on physician earnings

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- Sparse at the level of individual specialties in smaller urban areas
- Limited by having censored responses at upper income levels (greater than \$187,200 per year)
- Include wages only and omit benefits
- Include earnings of residents and fellows

# Physician wages higher in rural areas than in metropolitan areas

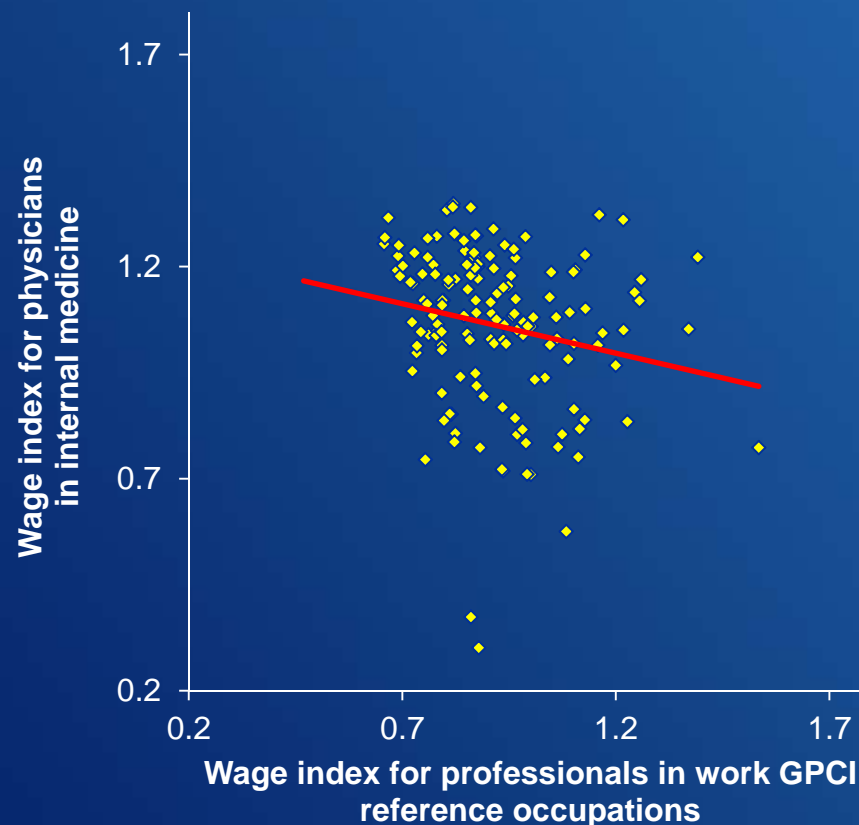


Note: GPCI (geographic practice cost index). Index values are averages weighted by each area's level of employment in the respective occupation(s) with no adjustment for trainee share of employment.

Source: RTI analysis of Bureau of Labor Statistics Occupation Employment Survey data from May 2011.



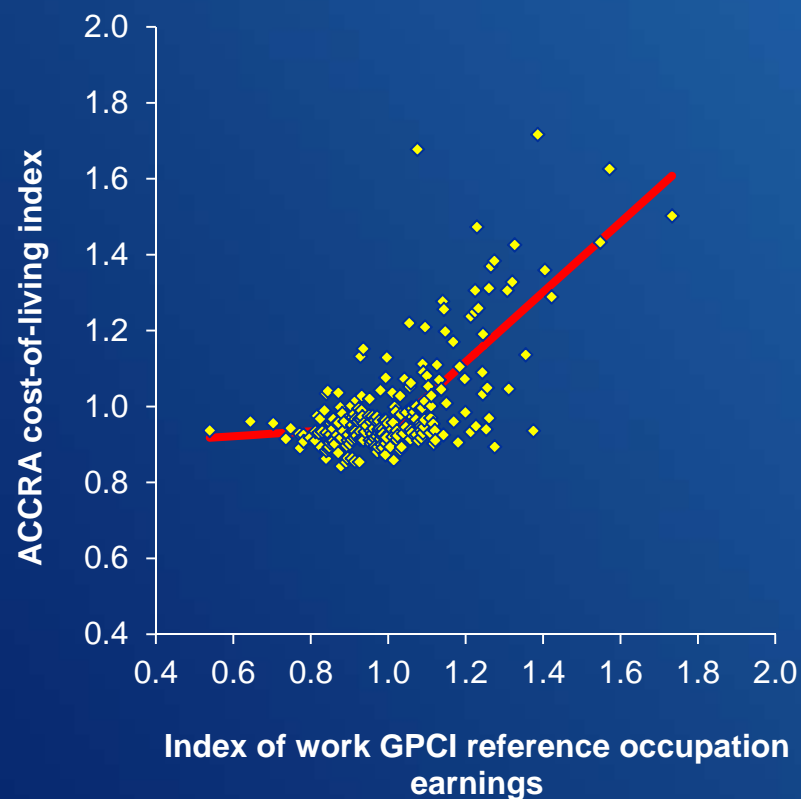
# Correlation of work GPCI and wages of internal medicine physicians



Note: GPCI (geographic practice cost index). Index values are averages weighted by each area's level of employment in the respective occupation(s) with no adjustment for trainee share of employment.

Source: RTI analysis of Bureau of Labor Statistics Occupational Employment Survey data from May 2011.

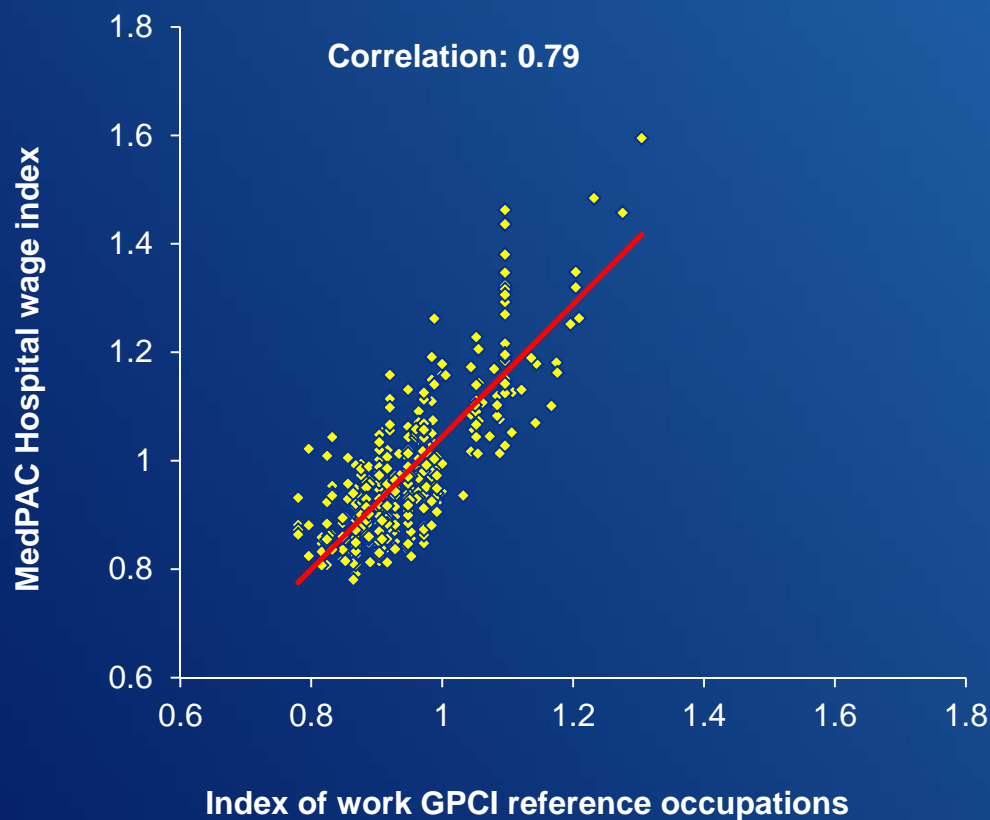
# Correlation of work GPCI with cost-of-living index



Note: GPCI (geographic practice cost index), ACCRA (American Chamber of Commerce Research Association).

Source: MedPAC analysis and RTI analysis of ACCRA data from 2009 to 2011 and BLS survey data from May 2011.

# Correlation of work GPCI and MedPAC hospital wage index



Notes: Data exclude Puerto Rico, Virgin Islands and Alaska. Alaska's work GPCI is set at 1.5 by statute.  
Source: MedPAC analysis of salary and wage data from BLS and the 2012 Physician Fee Schedule Final

# Physician earnings vary geographically

Specialty	Type of area	25 <sup>th</sup> percentile	Mean	75 <sup>th</sup> percentile
Family & general practice	Metropolitan	0.90	0.99	1.11
	Rural	0.94	1.03	1.10
Internal medicine	Metropolitan	0.93	0.99	1.20
	Rural	1.04	1.06	1.19

Note: Index values are averages weighted by each area's level of employment in the respective occupation(s) with no adjustment for trainee share of employment.

Source: RTI analysis of Bureau of Labor Statistics Occupation Employment Survey data from May 2011.

## Work GPCI impact on access

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- There are differences in supply of physicians and other health professionals across high and low-GPCI areas, but no differences in service use

# Service use does not vary across high and low-GPCI areas

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Region	Annual visits to physician office or outpatient facility per beneficiary
Range	
Work GPCI < 1	8 to 13
Work GPCI ≥ 1	8 to 12
Mean	
Work GPCI < 1	10.2
Work GPCI ≥ 1	10.0

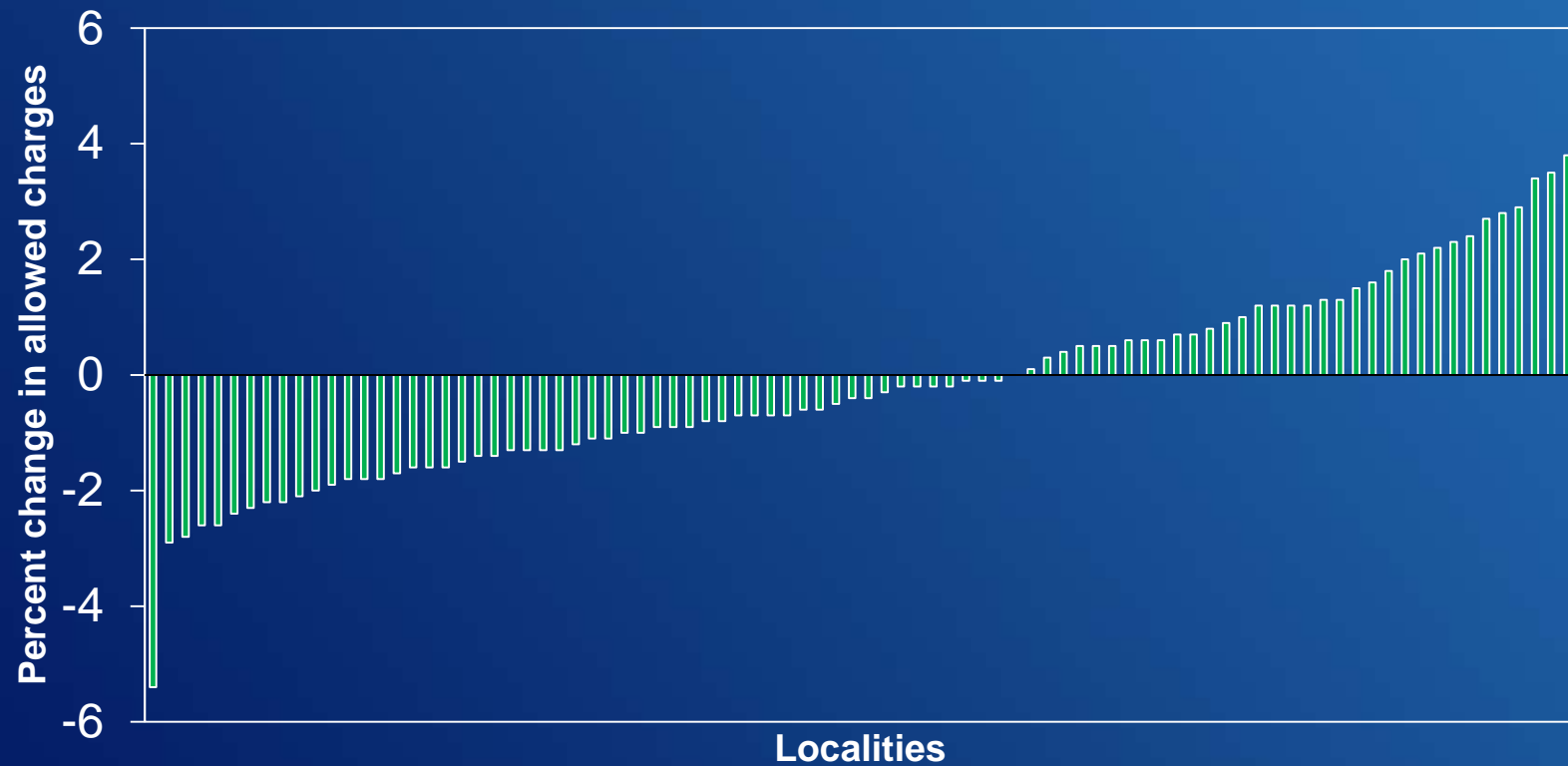
Note: GPCI (geographic practice cost index). Analysis excludes Puerto Rico, Virgin Islands and Alaska.  
Source: MedPAC analysis of beneficiary-level Medicare spending from the 2008 Beneficiary Annual Summary File.

## Work GPCI impact on access, con't

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- The Commission's work on rural access using 1999 data did not find a difference in service use across rural and urban areas
  - Floor does not seem to have had an impact on access
- Other targeted policy levers may be more effective at improving access
  - e.g., primary care bonus, HPSA bonus, HRSA workforce programs

# Work GPCI's impacts on spending



Note: GPCI (geographic practice cost index). Impacts were calculated—holding the volume of services constant—as allowed charges with the work GPCI (and no floor) compared to allowed charges without the work GPCI.



# Work GPCI's impact on spending, con't

	Level 3 evaluation and management visit (99213)	Transthoracic echocardiography, complete (93306)	Total knee arthroplasty (27447)
<i>Share of the payment attributable to physician work</i>	47%	21%	51%
National payment amount	\$70.46	\$213.08	\$1,544.29
Effect of work GPCI, 10th percentile (West Virginia)	-\$1.22	-\$1.64	-\$29.28
Effect of work GPCI, 90th percentile (NYC suburbs)	+\$1.62	+\$2.16	+\$38.77
<i>Percentage difference between 90<sup>th</sup> and 10<sup>th</sup> percentile</i>	4.0%	1.8%	4.4%

Note: Effects are only of the work GPCI and reflect no other geographic adjustments.  
Source: CMS Physician Fee Schedule 2012 final rule.

# Summary

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- Evidence of need for geographic adjustment of payments for professional work
- Work GPCI flawed in concept and implementation
- No evidence that GPCI affects access; access better addressed through other targeted policies (e.g., HPSA bonus, primary care bonus)
- No evidence to support change in current law

# Constructing a geographic adjustment for professional work effort

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- Collect data
  - Earnings of physicians and other health professionals
  - CMS may need resources
- Consider alternatives
  - Cost-of-living index
  - Hospital wage index
  - New reference occupation index