Advising the Congress on Medicare issues

Assessing payment adequacy: physician, other health professional, and ambulatory surgical center services

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Background: Physician and other health professional services in Medicare FFS

- Includes office visits, surgical procedures, and range of diagnostic and therapeutic services in all settings
- $64 billion on FFS physician services (13% of total Medicare spending) in 2009
- 1 million practitioners are in Medicare's registry:
  - Half are physicians actively billing Medicare – 90% of billing
  - Rest are other health professionals (e.g., nurse practitioners, physical therapists, chiropractors) – 10% of billing
- 97% of FFS Medicare beneficiaries received at least one physician fee schedule service in 2009

Analysis indicators

- Access
  - Annual MedPAC survey
    - Provides most current access data (Fall 2010)
    - Nationally representative sample of Medicare beneficiaries age 65+ and privately-insured persons age 50-64
    - Oversample of minority populations
  - Other national surveys of patients and physicians
  - Volume growth
- Quality – ambulatory care measures
- Ratio of Medicare to private PPO fees
- Indirect measures of financial performance

Most beneficiaries are able to get timely appointments

- Medicare beneficiaries (65 and older) are less likely than privately insured individuals (age 50-64) to report unwanted delays in getting appointments**.**
- Among those seeking an appointment:
  - Unwanted delay in getting a **routine care** appt
    - "Never": **75**% Medicare / **72**% privately insured
  - Unwanted delay in getting an **illness or injury** appt
    - "Never": **83%** Medicare / **80%** privately insured

Most beneficiaries are able to find new physicians, but primary care more problematic

- Medicare beneficiaries (65 and older) are less likely than privately insured individuals (age 50-64) to report problems finding a new physician.
  - Few patients were looking for a new PCP
    - **7%** Medicare / **7%** privately insured
  - Among those seeking a new **PCP**,
    - "No problem": **79%** Medicare / **69%** privately insured
    - "Big problem": **12%** Medicare / **19%** privately insured
  - Among those seeking a new **specialist**,
    - "No problem": **87%** Medicare / **82%** privately insured
    - "Big problem": **5%** Medicare / **6%** privately insured

Access to care for minorities

- Minorities experience more access problems than whites; disparity is greater among privately insured.
  - Among those seeking a routine care appt, unwanted delay
    - Medicare "never": **76%** white / **74%** minority
    - Private insurance "never": **73%** white / **66%** minority
  - Among those seeking a **new specialist**,
    - Medicare "big problem": **5%** white / **9%** minority
    - Private insurance "big problem": **5%** white / **13%** minority
  - Differences were smaller among those looking for new PCPs

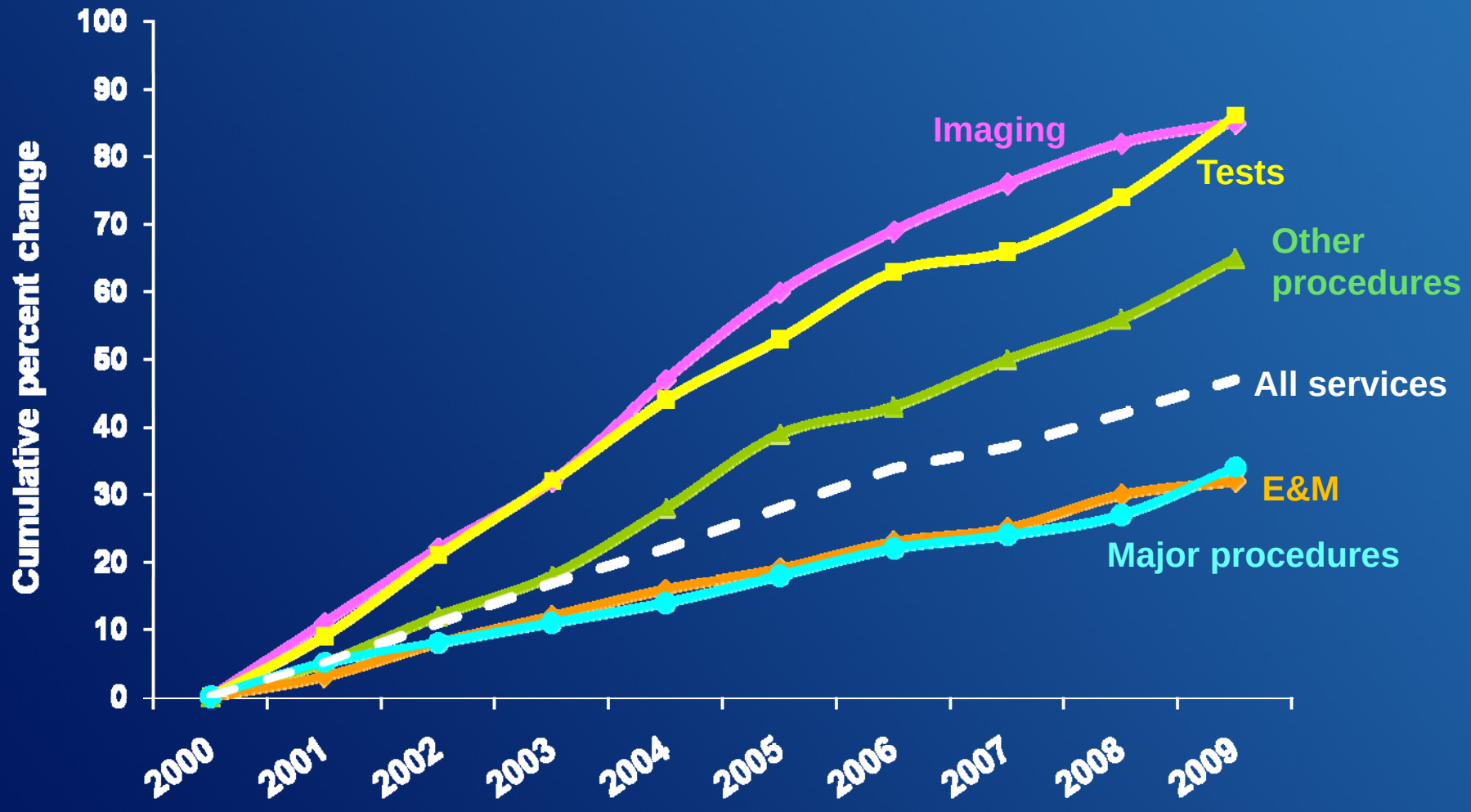
Results from other patient surveys are analogous to MedPAC's survey

- **CAHPS-FFS, 2010**
  - 88% of beneficiaries: "always" or "usually" able to schedule timely appointments for routine care
- **MCBS, 2008**
  - 95% of non-institutional beneficiaries have a usual source of care (doctor's office or doctor's clinic); 56% waited 9 or fewer days for most recent appt
- **Commonwealth Fund, 2007**
  - Medicare beneficiaries (65+) reported fewer access problems and greater satisfaction compared with privately insured individuals
- **Center for Studying Health System Change, 2007**
  - Medicare beneficiaries are less likely to report going without needed care or delaying care than privately insured individual

Physician surveys

- **NAMCS, 2008**
  - 90% of physicians accepted (at least some) new Medicare patients
    - 83% of primary care physicians; 95% of specialists
- **Center for Studying Health System Change, 2008**
  - Rate of physicians accepting “all” or “most” new patients:
    - Medicare: 74%; Private insurance: 87%; Medicaid: 53%
  - Practice types more likely to accept new Medicare patients:
    - Medical and surgical specialists, rural practices, new physicians, group practices
- **AMA National Health Insurer Report Card, 2009**
  - Medicare performed similar or better than private insurers on claims processing measures (e.g., accuracy, transparency)

Volume of physician services per beneficiary continues to grow



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

Most quality indicators were stable or improved from 2007 to 2009

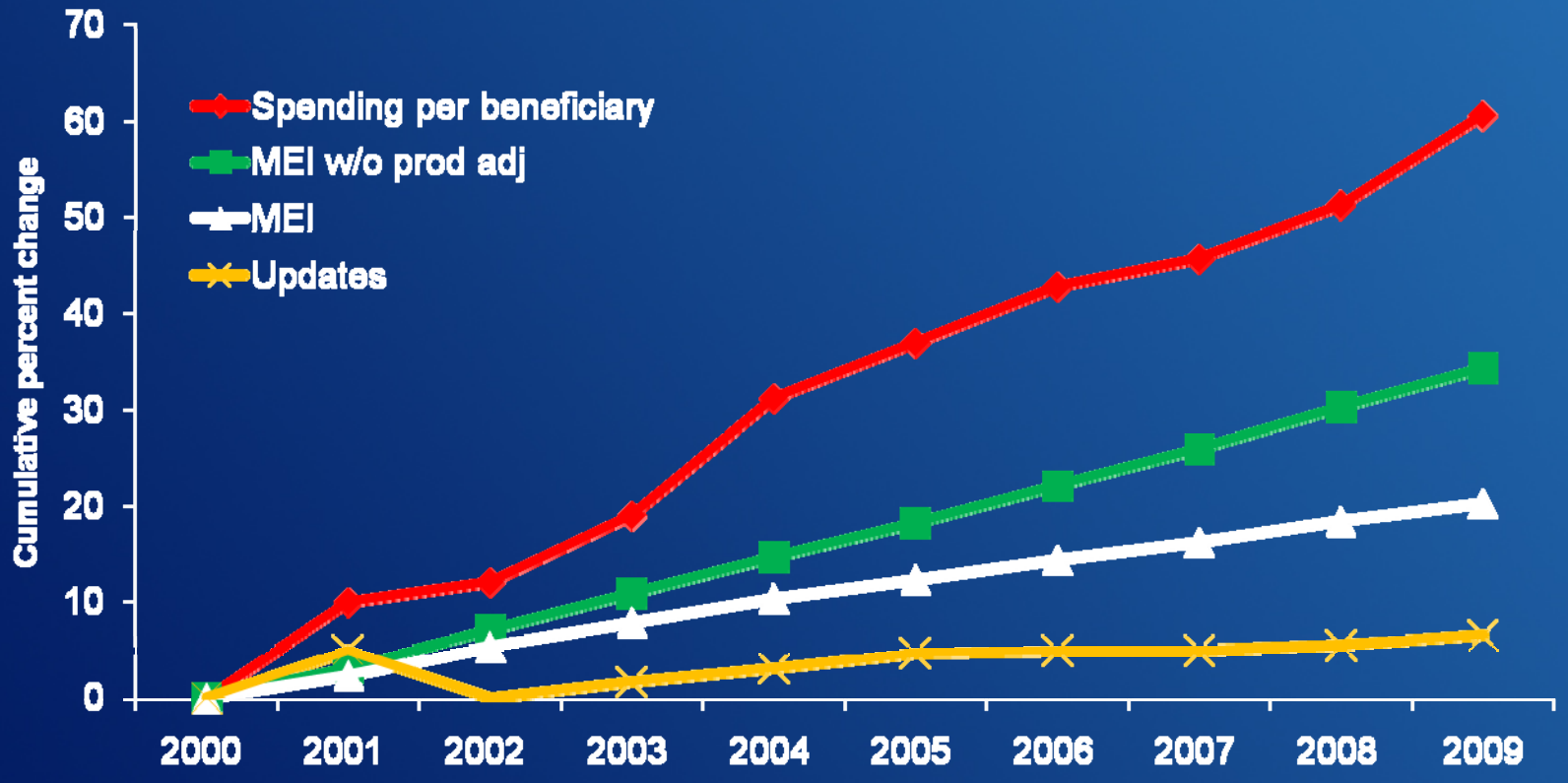
	Number of indicators			
Indicators	**Improved**	**Stable**	**Worsened**	**Total**
ALL	**19**	**16**	**3**	**38**
Anemia	2	2	0	4
CAD	2	2	0	4
Cancer	2	4	1	7
CHF	5	3	0	8
COPD	1	0	1	2
Depression	0	1	0	1
Diabetes	6	1	0	7
Hypertension	0	0	1	1
Stroke	1	3	0	4

Source: MedPAC analysis of Medicare Ambulatory Care Indicators for the Elderly (MACIE) from the Medicare 5 percent Standard Analytic Files.

Other indicators

- Ratio of Medicare to private PPO rates continued at 80% for 2009 -- same as in previous year
- 99% of allowed charges were paid “on assignment” in 2009
- Medicare Economic Index (MEI) for 2012 is 0.7%.

Spending has grown faster than input prices or the updates



Note: MEI (Medicare Economic Index).
Source: 2010 trustees' reports, unpublished data from CMS, and OACT 2010.

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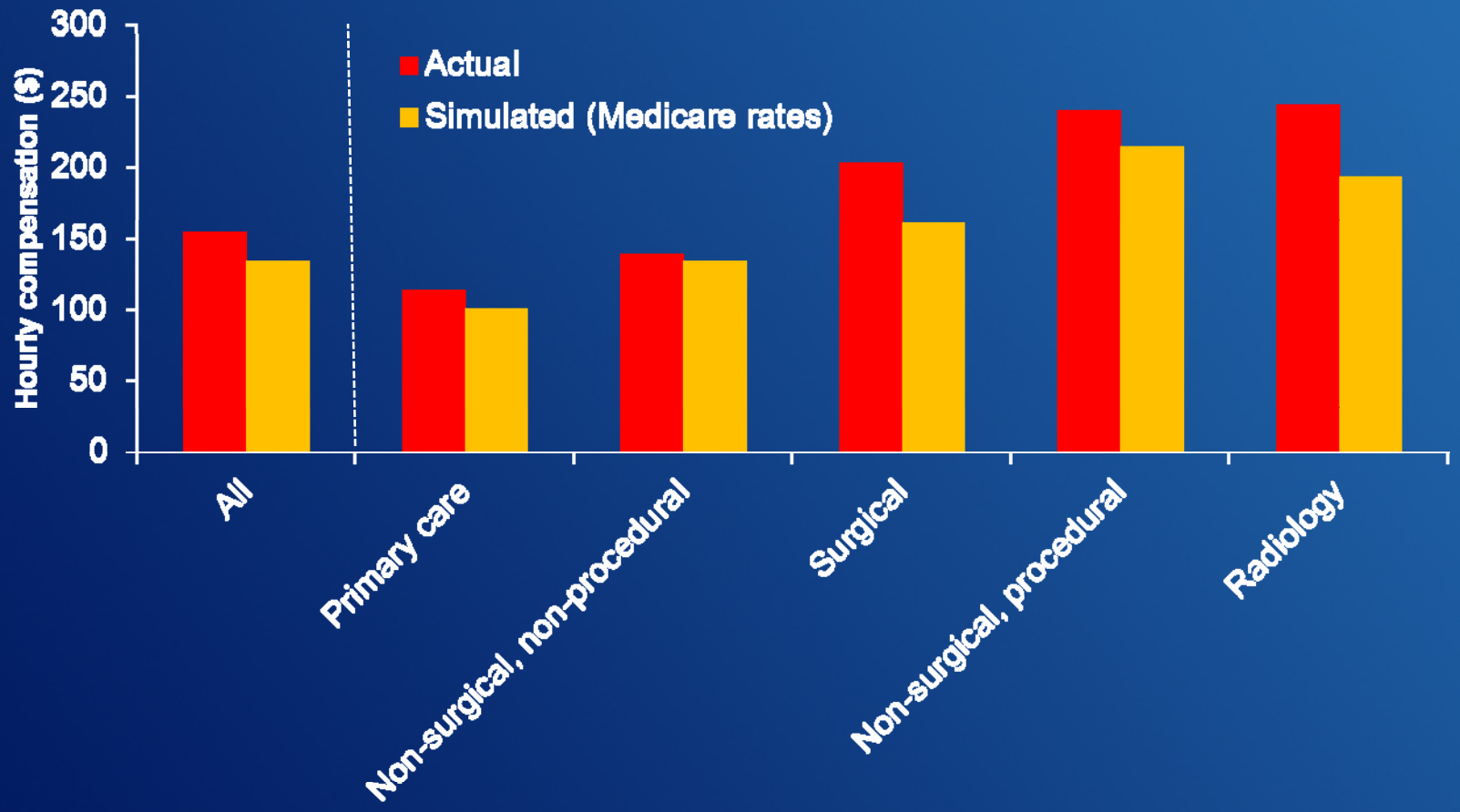
Physician compensation as an indicator

- In the absence of cost reports: annual compensation after expenses
- Average for all physicians
  - $273,000 (actual)
  - $240,000 (simulated with Medicare rates)
- Disparities among specialties
  - Some are due to hours worked
  - Actual compared to simulated Medicare compensation is consistent with data comparing private rates to Medicare
  - Highest compensation going to specialties furnishing services with high volume growth

Disparities in hourly compensation widest when primary care is compared to non-surgical proceduralists and radiologists



Source: Berenson et al. 2010.
Note: Simulated compensation is compensation as if all services were paid under the Medicare physician fee schedule.

Disparities in compensation raise concerns about equity and practitioner workforce

- Equity
  - Mispricing can lead to compensation skewed in favor of some at the expense of others
  - Some practitioners can generate volume more readily than others
- Future of practitioner workforce
  - Mix of graduates from residency programs tilted toward specialists instead of primary care
  - Compensation is an important predictor of specialty choice

Future work: primary care and SGR payment policies

- Enhancing access to primary care
  - PPACA contains provisions to enhance primary care, but more levers should be explored
- Changing SGR payment policies
  - Mounting frustration from providers and their patients stemming from “temporary fixes” and payment uncertainty
  - Expenditure target approaches have both advantages and disadvantages

Important facts about ASCs

- Medicare payments in 2009: $3.2 billion (5.1% increase from 2008)
- Beneficiaries served in 2009: 3.3 million (1.2% increase from 2008)
- Number of ASCs in 2009: 5,260 (2.1% increase from 2008)
- 90% have some degree of physician ownership
- ASCs will receive payment update of 0.2% in 2011

Access to ASC services has been increasing

	Avg annual increase, 2004-2008	Increase, 2008-2009
FFS beneficiaries served	4.4%	1.2%
Volume per FFS beneficiary	9.3%	3.4%
Number of ASCs	267 (5.8%)	109 (2.1%)

Numbers are preliminary and subject to change.
Source: MedPAC analysis of Medicare claims and Provider of Services file from CMS, 2004-2009.

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More rapid growth of surgical procedures in ASCs than HOPDs

- From 2004-2009, volume per beneficiary grew 6.8%/year in ASCs, 0.1%/year in HOPDs
- Benefits of migration from HOPDs to ASCs
  - Efficiencies for patients and physicians
  - Lower payment rates and cost sharing in ASCs
- Concern
  - ASC growth may result in greater overall volume
  - Most ASCs have physician ownership
  - Evidence from recent studies that physicians who own ASCs perform more procedures

Measures of payment adequacy

- Access to ASC services has been increasing
  - Increase in number of beneficiaries served
  - Increase in volume per FFS beneficiary
  - Increase in number of ASCs
- Access to capital has been at least adequate
- Lack cost and quality data
  - Commission recommended that ASCs be required to submit cost and quality data (2009, 2010)