



Advising the Congress on Medicare issues

Collecting data to improve the accuracy of payments under the physician fee schedule

Kevin Hayes

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Issue

- Equity and accuracy of fee schedule payments: longstanding concerns
- Recommendations on improving payment accuracy in Commission's SGR letter
- How should CMS implement recommendations?

Fee schedule relies on time estimates

- Work relative value units (RVUs)
 - Statute defines work as time and intensity
 - Estimates of time explain most of RVU variation
- Time data also used for practice expense RVUs
 - Direct costs (nonphysician clinical staff)
 - Allocation of indirect costs

Problems with the time estimates

- Services can change
- Estimates based on surveys by specialty societies that have financial stake in results
- Findings
 - Research for CMS and ASPE suggests some estimates are too high
 - Misvalued services review: time estimates (and RVUs) often revised downward

Inaccurate time estimates have broad implications

- Time estimates affect over 80 percent of Medicare's fee schedule payments
- Most private payers use the RVUs
- Physician compensation
 - usually based on work RVUs
 - comparing specialties, wide disparities
- New payment systems often built on FFS

Commission recommendations

- March 2006 report
 - Improve process to identify overvalued services
- October 2011 SGR letter
 - Collect current, objective data for RVUs
 - cohort of efficient practices and other settings
 - target to manage cost and ensure participation
 - Identify overpriced services, reduce their RVUs, achieve an annual numeric goal of reductions equal to at least 1% of spending

Two approaches to collecting time data

- Service-by-service (bottom up)
 - Direct observation (time-and-motion studies)
 - Electronic systems (e.g., EHR, patient scheduling)
- Top down
 - Unit of analysis: Physician/other health professional
 - Compare actual hours worked and hours worked as estimated with fee schedule's time estimates

Features of a service-by-service approach

- Primary data collection necessary
 - Existing data inadequate (except possibly surgery)
 - Practices, integrated delivery systems, etc. tend not to store time data
- EHR and other electronic systems
 - May have potential, but . . .
 - Substantial effort to extract data
- Direct observation
 - Labor-intensive, costly
 - Bias when those observed are aware of study?

Top down approach

- Project to test methods for collecting time and service volume data
- Field test
 - Four practices and integrated delivery systems
 - Data collection underway
- Next step: Expand to more practices

Illustration: Validating time estimates with top down data

Physician A

Data collected from practice or IDS

Time estimates for fee schedule

HCPCS code	Units of service	Time per service (minutes)	Total time	
			Minutes	Hours
1	5	20	100	1.7
2	10	30	300	5.0
3	5	40	200	3.3

Actual hours worked (total): 8

Estimated hours worked: 10

Note: IDS (integrated delivery system), HCPCS (Healthcare Common Procedure Coding System).

Source: MedPAC analysis.

Discussion

- Advantages and disadvantages
 - Bottom up
 - Top down
- Inform CMS decision on how to collect time data