



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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October 4, 2012

Commission's mandate

- 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

- 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

- 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

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

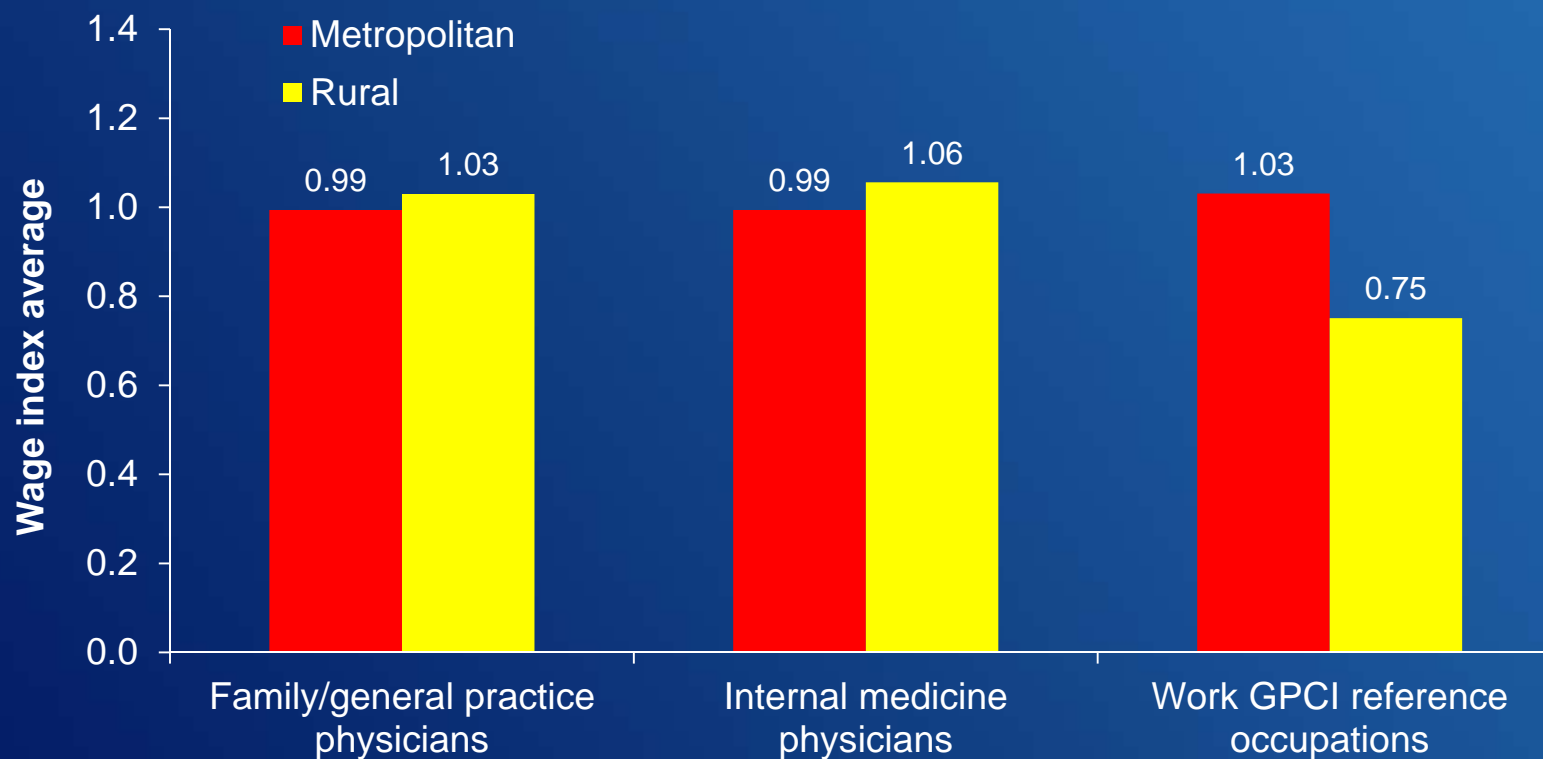
Work GPCI: Implementation

- 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

- 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

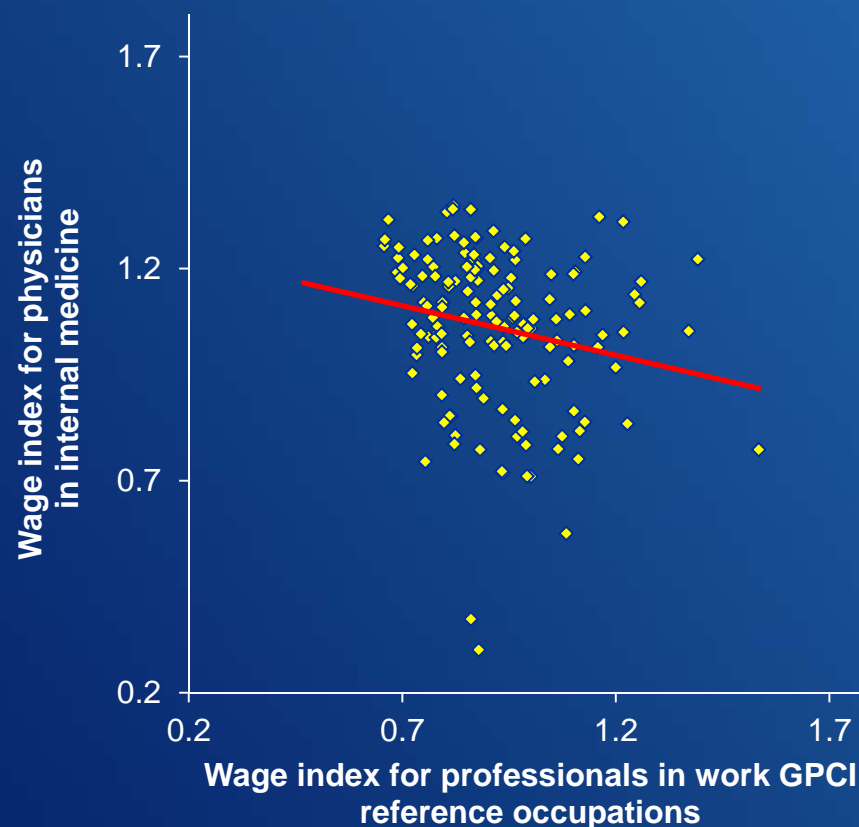
Physician wages higher in rural areas than in metropolitan areas



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.

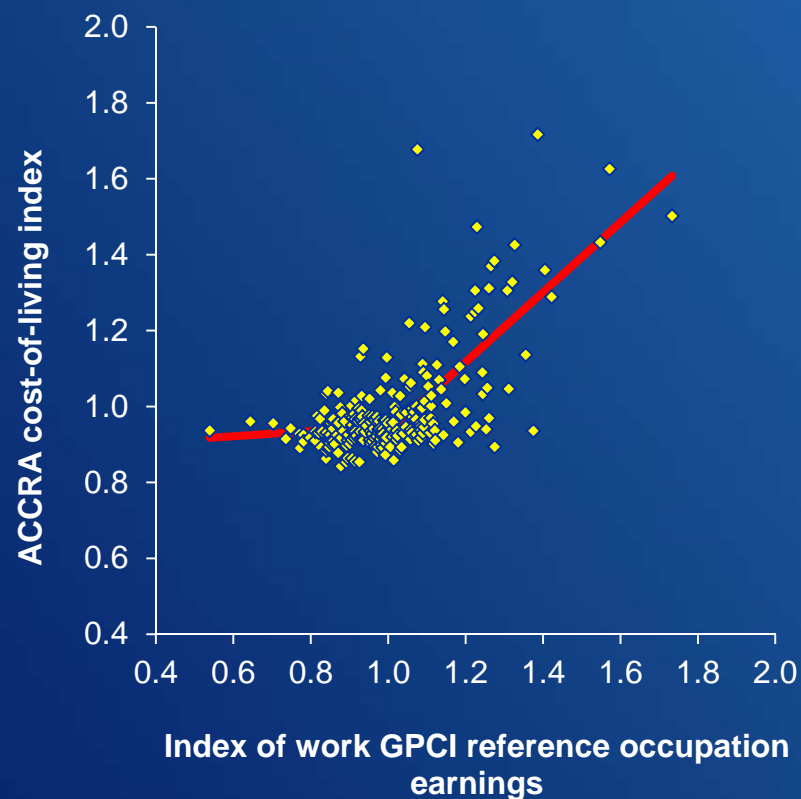
Correlation of work GPCI and wages of internal medicine physicians



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.

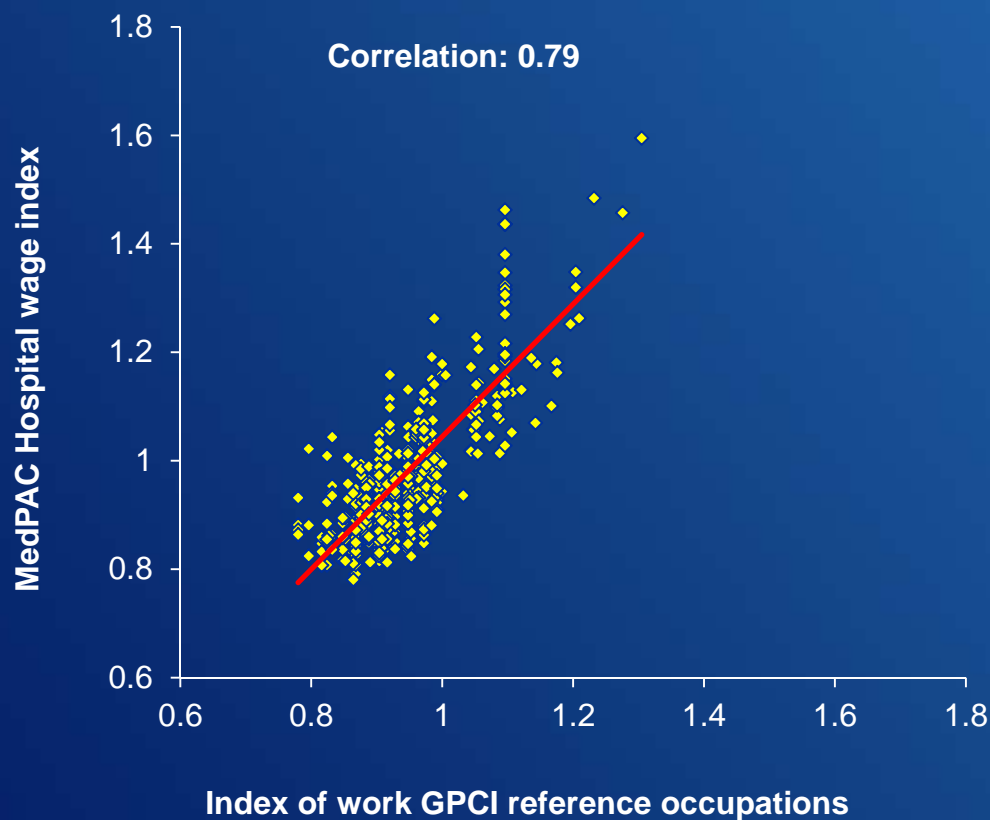
Correlation of work GPCI with cost-of-living index



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 th percentile	Mean	75 th 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

- 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

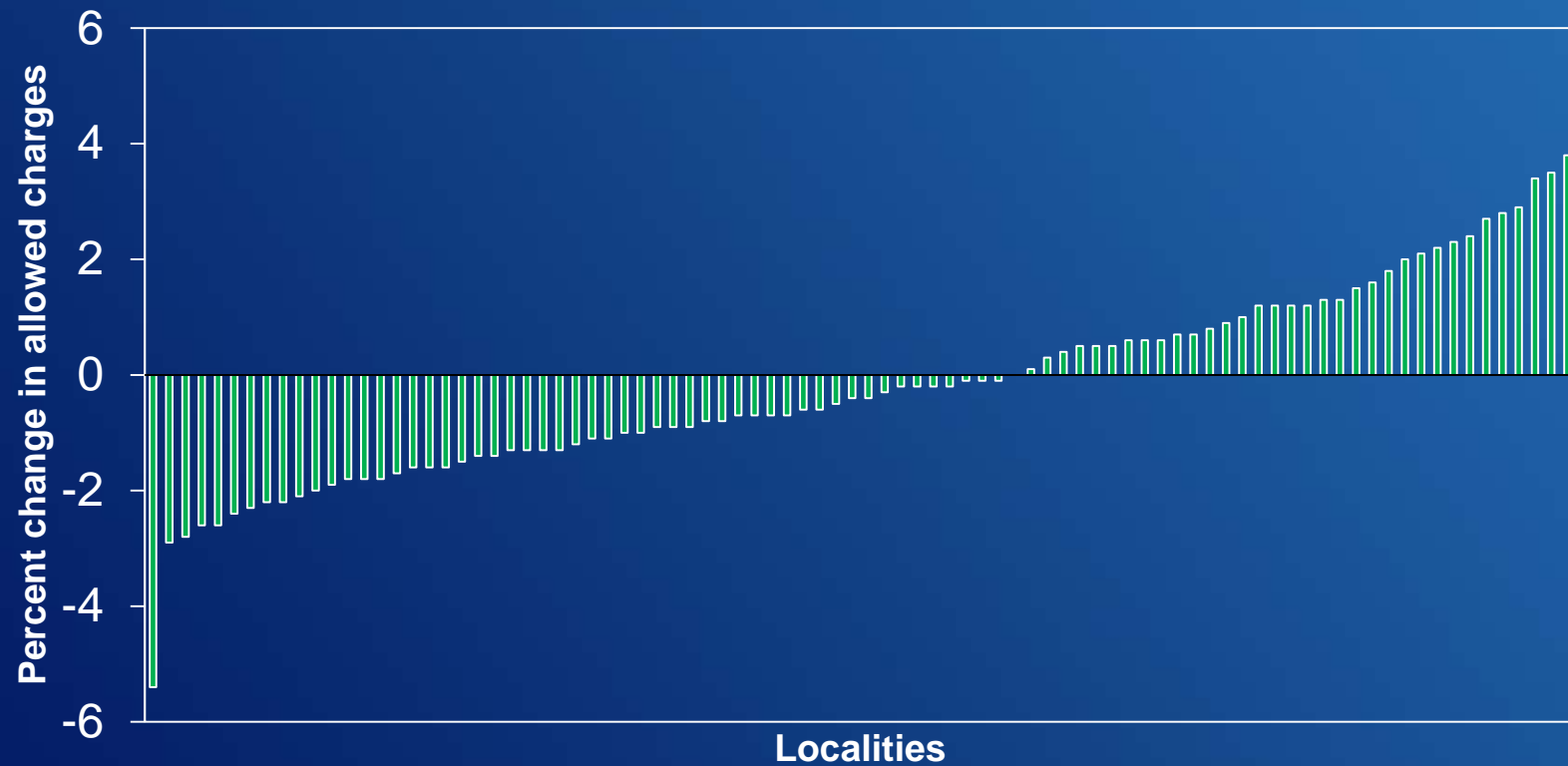
Region	Annual visits to physician office or outpatient facility per beneficiary
.....	
Range	
Work GPCI<1	8 to 13
Work GPCI >=1	8 to 12
Mean	
Work GPCI<1	10.2
Work GPCI >=1	10.0

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

- 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 90th and 10th 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

- 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

- 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