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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MEDPAC

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

- What effect would a possible action have on program spending?
- Would the possible action improve beneficiaries' access to care?
- What is the effect of a potential action on quality of care?
- Does the action advance delivery system reform? Does it move Medicare payment policy away from fee-for-service payment and encourage a more integrated delivery system?

Today's presentation

- Recap of previous discussion
  - Work GPCI concept and implementation
  - Findings
- Questions raised at October meeting
  - Earnings of reference occupations compared to each other
  - Access to care
- Draft recommendation

Work GPCI: Concept

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

Work GPCI: Implementation

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

Findings: Correlation analysis of work GPCI

- To the extent conclusions can be drawn from limited data available, work GPCI not well correlated with physician earnings
- Some correlation between work GPCI and cost-of-living index, but it depends on the level of reference occupation earnings
- Work GPCI highly correlated with hospital wage index

Findings (cont.)

- We do not find that work GPCI has an impact on access to care
  - Comparing payment areas, GPCI's impact on payments ranges from −3% to +4%
  - Much geographic variation in service use, but it does not appear related to the GPCI
  - Growth in physicians and other health professionals billing Medicare similar in low- and high-GPCI areas
  - Pre- and post-GPCI floor, consistent findings on service use
- However, extension of the work GPCI floor would have a budgetary impact

Earnings of reference occupations compared to each other

- Professionals—including physicians and other health professionals—may value cost-of-living and amenities differently
- Considering work GPCI's reference occupations separately, are their earnings correlated?
- Findings
  - Except for pharmacists, correlations range from 0.41 to 0.69
  - Pharmacists and registered nurses: 0.43
  - Pharmacists and others: 0.13 to 0.24

Source: RTI International.
Preliminary, subject to change

The GPCI does not affect visit rates, even in localities where the GPCI is the same across rural and urban areas

	Visits per beneficiary		
Payment localities	Urban	Rural	Difference
Non-statewide Localities	10.2	10.8	0.6
Statewide localities	9.7	10.4	0.7

Note: Visits are visits to a physician office or outpatient facility. Analysis excludes Puerto Rico, Virgin Islands and Alaska.

Source: MedPAC analysis of beneficiary-level Medicare spending from the 2008 Beneficiary Annual Summary File.

Preliminary, subject to change

Further analysis of access to care

- Center for Studying Health System Change 2005 study
  - Fee cut in 2002 did not result in a higher share of Medicare beneficiaries reporting access problems
  - Beneficiaries in areas with higher fee differentials between Medicare and private insurance did not have worse access
- Medicare programs targeting improved access
  - HPSA bonus
    - 10% bonus in areas designated as health professional shortage areas
    - $200 million in 2008
  - Primary care incentive program
    - 10% bonus for primary care services delivered by primary care physicians and other professionals
    - $560 million in 2011
- MedPAC could undertake analysis of more targeted approaches to improving access

Floor on work GPCI may not be well targeted to areas facing recruitment and access challenges

- One argument for the work GPCI floor is that it aids in recruiting physicians and other health professionals
  - But the floor applies in some areas that may face little trouble recruiting
- Areas with work GPCI above 1.0
  - Chicago, Baltimore, Washington DC, Los Angeles, Boston, New Jersey, Seattle, San Francisco
- Areas below 1.0 (subject to the floor)
  - Miami, Phoenix, Minneapolis, Denver, Portland, San Antonio, Orlando, Las Vegas, Austin, Charlotte

Institute of Medicine position on geographic adjustment for work

"Continued use of geographic adjustment factors in Medicare payments is warranted..."

"Medicare payment adjustments related to national policy goals should only be made through a separate and distinct adjustment mechanism, and not through geographic adjustments."

In conducting the payment simulations of their recommendations, the IOM removed the work GPCI floor

Summary of findings

- Geographic adjustment in work component is warranted
  - Cost of living and physician earnings vary geographically
- Work GPCI is flawed in concept and implementation
  - Market for services provided by physicians and other health professionals differ from markets for the reference occupations
  - No physician data of sufficient quality to validate the GPCI
- GPCI's impact on quality or access to care is unclear
  - For ensuring access, other programs more targeted than the floor
- Current law is the ¼ GPCI applied to all localities (no floor)
  - Deviation from current law would redistribute or increase payments without clear evidence of an effect on access or quality
  - Insufficient data to establish a new index in the short run

Developing the underlying data for a work GPCI replacement

- Medicare collects new data on the earnings of physicians and other health professionals
- Use market fees for physicians and other health professionals
- Base the work GPCI on an alternative such as a cost-of-living index or the hospital wage index