



Advising the Congress on Medicare issues

Initial approach to the payment update and other policy options for physicians and other health professionals

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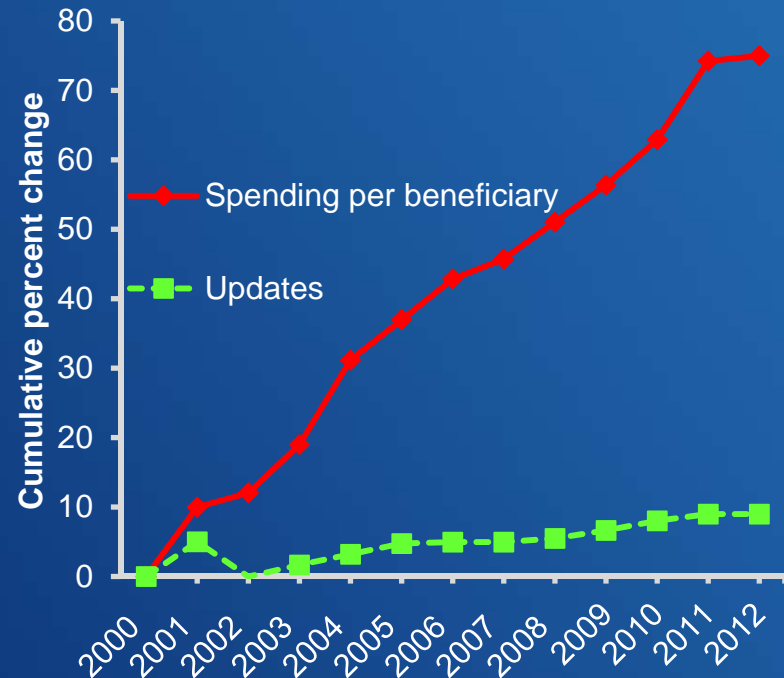
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Overview

- Commission's position on repeal of SGR
- March report chapter
 - Reiterate SGR recommendations
 - Consider rerunning additional recommendations
 - Establish an HHS panel on misvalued services
 - Improve payment accuracy and appropriate use of ancillary services
 - Reform graduate medical education (GME)
- Longer-term issues for subsequent meetings
 - Quality measurement
 - Payment for primary care

The SGR is fundamentally flawed

- Ties annual payment rate updates to aggregate expenditures
- No incentive for providers to restrain volume
- Congress has overridden formula every year after 2002



Source: 2013 Trustees' report and Office of the Actuary 2013.

Repeal of SGR is urgent

- Temporary overrides of deep cuts are creating instability
 - For 2013, formula's 27 percent payment cut overridden with a payment rate freeze
- Lower cost of repeal
 - In October 2011, 10-year freeze in payment rate ~ \$300 billion
 - Currently, 10-year freeze in payment rate ~ \$138 billion

Principles informing recommendations to repeal the SGR

- Repeal of the SGR is urgent
- Preserve beneficiary access
- Rebalance payments for primary care and other specialties
- Encourage movement toward reformed delivery systems

The Commission's recommendations

- 10-year path of legislated updates
 - Higher updates for primary care services than updates for other services
- Collect data to improve the relative valuation of services
- Identify overpriced and underpriced services and rebalance
- Encourage ACOs by creating greater opportunities for shared savings

Consider rerunning additional recommendations

- Establish HHS panel on misvalued services
- Improve payment accuracy and appropriate use of ancillary services
 - Comprehensive billing codes
 - Payment reduction
 - multiple studies in same session
 - studies ordered and performed by same practitioner
 - Prior authorization of imaging
- Reform payment for GME

Primary care: inadequate support under fee-for-service

- Access generally good but surveys raise concerns about primary care
- Overpricing of procedural services leads to passive devaluation of primary care
- Fee-for-service payment does not adequately support care coordination

Evidence on primary care

- Higher share of primary care physicians in a region's workforce found to be associated with higher quality and lower cost
- Early results of medical home demo include reduction in ED visits for ambulatory care-sensitive conditions
- But primary care may not reduce spending growth

Risks for primary care without delivery system reform

- Newly-insured likely to increase demand in 2014
- Retirement of baby boomers
 - More beneficiaries
 - Fewer practitioners
- Primary care must attract new practitioners

Current approaches to improving payment for primary care

- Primary care incentive payment
 - 10 percent bonus
 - Selected specialty designations
 - Practice focused on primary care
 - Expires in 2015
- Medical home demonstrations
 - Multipayer
 - Difficult to identify Medicare-specific effects

Overcoming limitations of fee-for-service payment for primary care

- Standing Commission recommendations:
Rebalance the fee schedule
 - Legislate separate primary care update
 - Reduce payments for overpriced services
- Policy option: Blend fee-for-service payment with periodic (monthly or quarterly) per beneficiary payment
 - Pay for non-face-to-face activities
 - May dampen FFS incentive to increase volume
 - Build infrastructure for medical homes

Implementing a per-beneficiary payment for primary care

- Establish eligibility
 - Specialty
 - Share of allowed charges from primary care
 - Delivery of prerequisite services
 - Criteria similar to medical home (e.g., 24 hour access)
- Link beneficiaries to practices
 - Initial
 - Correction for inaccuracies

Implementing a per beneficiary payment for primary care (cont'd)

- Derive payment amount to supplement or partially replace FFS
 - Estimate care coordination costs or
 - Aim for share of practitioners' total payments
- Identify funding source
 - Budget neutral
 - Reduce payments for services other than primary care

Discussion: Plans for March report and longer-term issues

- March report chapter
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 - Quality measurement
 - Payment for primary care