

Assessing payment adequacy and updating payments: Physician and other health professional services

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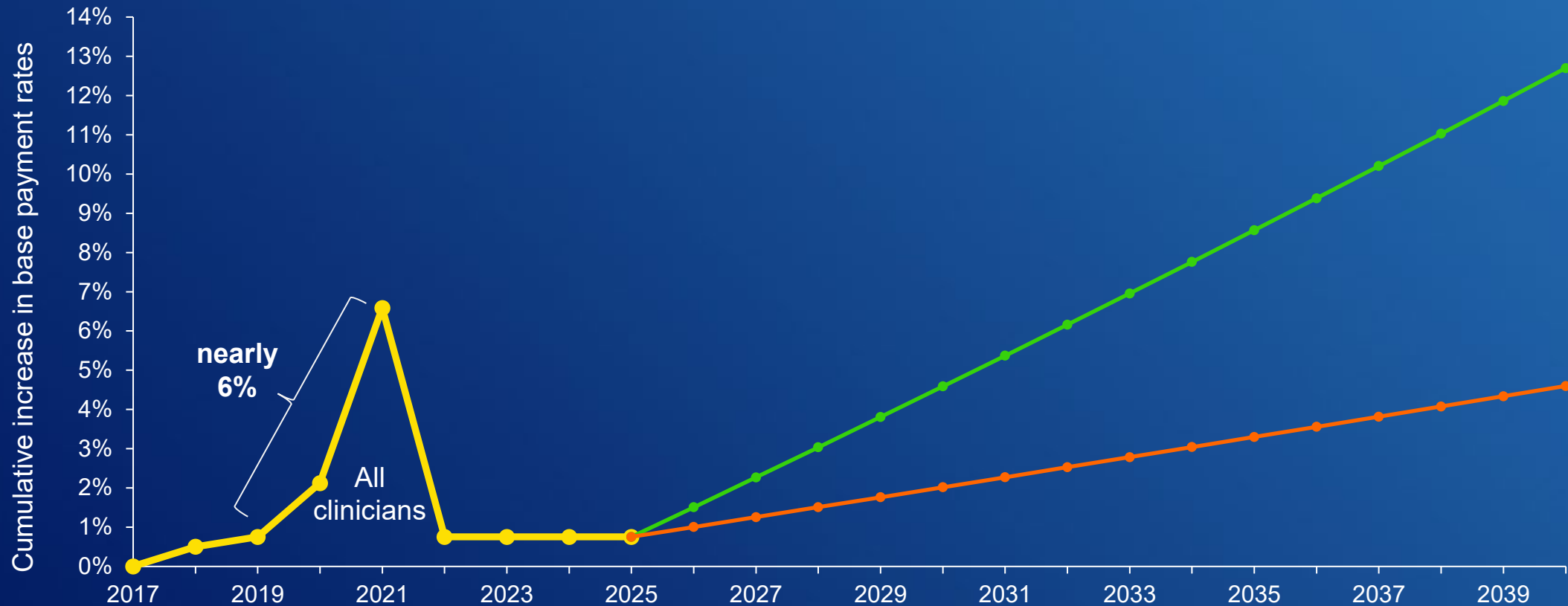
How are we assessing the adequacy of payments, given the coronavirus pandemic?

- The pandemic has had tragic effects on beneficiaries, and been a source of disruption and burnout for clinicians
- Data for most payment adequacy indicators are from 2020, but beneficiary surveys and focus groups are from 2021
- Temporary declines in revenue caused by the pandemic are best addressed through targeted, temporary funding policies, rather than permanent changes to all clinicians' payment rates in 2023 and future years

Background: The Medicare Physician Fee Schedule

- Includes billing codes for 8,000 clinician services delivered in a variety of settings (e.g., doctors' offices, hospitals)
- In 2020, Medicare paid \$64.8 billion to 1.3 million clinicians, a decline of \$8.7 billion from 2019 spending
- Clinicians have received tens of billions of dollars in pandemic relief funds
- Current law: no update to base payment rates in 2023, but
 - +/- performance-based adjustment for clinicians in MIPS
 - 5% bonus for clinicians in advanced alternative payment models (A-APMs)

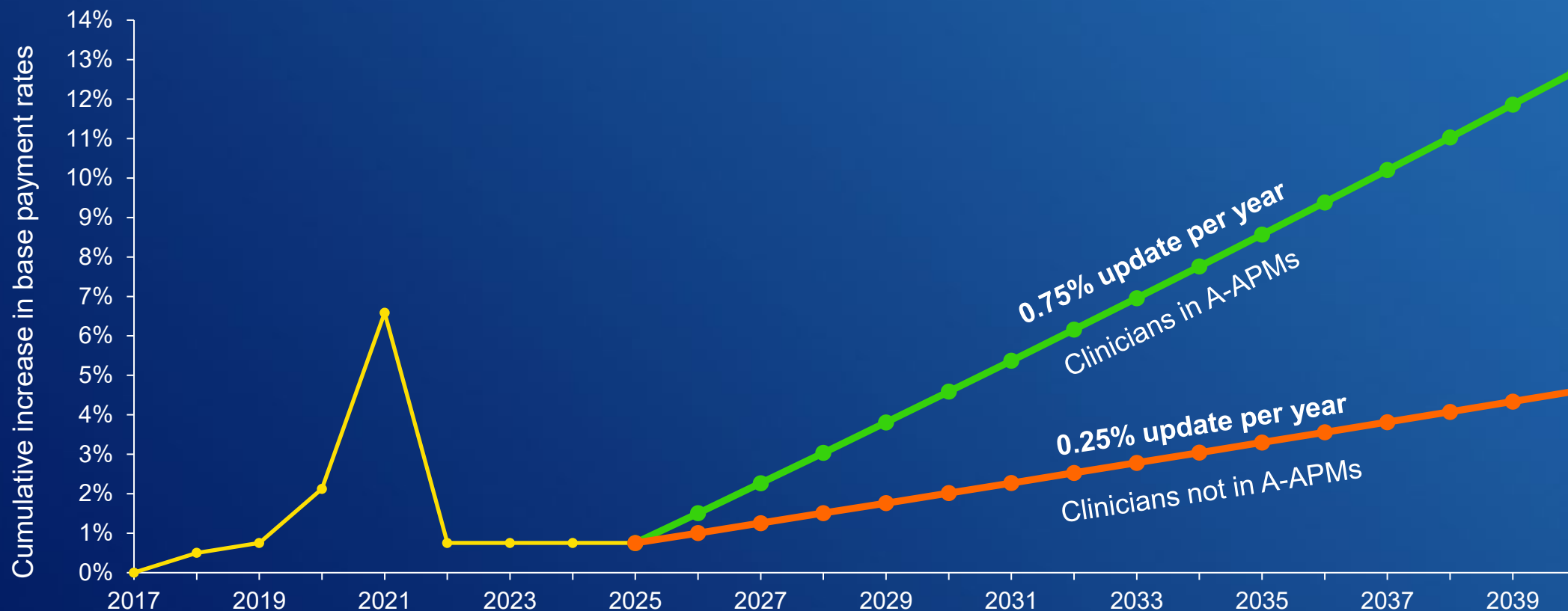
Physician fee schedule base payment rates increased in 2020 and 2021, but will return to pre-pandemic levels in 2022



Note: Graph shows the percent increase in physician fee schedule base payment rates, compared to 2017 payment rates, under current law. Graph does not show Merit-based Incentive Payment System (MIPS) adjustments, which can increase or decrease payments based on performance measures, or 5% A-APM bonuses, because these adjustments apply for only one year at a time and are not built into subsequent years' payment rates. Graph also does not show adjustments to payment rates prompted by budget neutrality requirements, which take into account additions, deletions, or modifications to the physician fee schedule's billing codes, and can result in payment updates that are larger or smaller than specified in statute. Graph is preliminary and subject to change.

Source: MedPAC analysis of the Medicare Access and CHIP Reauthorization Act of 2015, the Bipartisan Budget Act of 2018, and the Consolidated Appropriations Act, 2021. 4

Differential payment updates starting in 2026 will incentivize clinician participation in A-APMs



Note: Advanced alternative payment models (A-APMs). Graph shows the percent increase in physician fee schedule base payment rates, compared to 2017 payment rates, under current law. Graph does not show Merit-based Incentive Payment System (MIPS) adjustments, which can increase or decrease payments based on performance measures, or 5% A-APM bonuses, because these adjustments apply for only one year at a time and are not built into subsequent years' payment rates. Graph also does not show adjustments to payment rates prompted by budget neutrality requirements, which take into account additions, deletions, or modifications to the physician fee schedule's billing codes, and can result in payment updates that are larger or smaller than specified in statute. Graph is preliminary and subject to change.

Source: MedPAC analysis of the Medicare Access and CHIP Reauthorization Act of 2015, the Bipartisan Budget Act of 2018, and the Consolidated Appropriations Act, 2021. 5

How do we assess the adequacy of Medicare's payments for physicians and other health professionals?

Beneficiaries' access to care



Quality of care



Clinicians' revenues and costs



Recommendation for physician fee schedule base payment rate in 2023

Beneficiaries' access to care is assessed based on...

① Beneficiary feedback

- MedPAC's beneficiary focus groups in 2021
- MedPAC's telephone survey in 2021
- CMS's Medicare Current Beneficiary Survey from 2019

② Supply of clinicians

③ Number of clinician encounters per beneficiary

Beneficiaries' access to care is comparable to the privately insured and to pre-pandemic years

- 93% of beneficiaries who received care in the past year were satisfied with the overall quality of that care
- New in 2021: Higher shares of Medicare beneficiaries ages 65+ reported waiting longer than they wanted for an appointment compared to younger privately insured people ages 50-64
- 10% of beneficiaries reported foregoing care in the past year, comparable to prior years
- Majorities didn't experience problems finding a new clinician

The supply of clinicians billing Medicare

- The number of clinicians billing under the fee schedule grew by an average of 3.3% per year from 2015 to 2019
 - Declined by 0.1% in 2020
- Changes varied by the type and specialty of clinician (2015-2020)
 - Rapid growth in APRNs and PAs
 - Growth in specialists
 - Modest decline in number of primary care physicians
- Nearly all clinicians who billed under the fee schedule in 2020 accepted Medicare's payment rates as payment in full

Number of clinician encounters per FFS beneficiary

- Clinician encounters per FFS beneficiary grew by an average of 1.3% per year from 2015 to 2019, but declined by 11.1% in 2020
 - Decline in encounters occurred mainly during the spring
- Change in encounters varied by type and specialty of clinician
 - From 2015 to 2020, encounters per beneficiary with primary care physicians *decreased* by 4.2% per year while encounters with APRNs and PAs *increased* by 8.3% per year

Quality of care is assessed based on...

- ① Ambulatory care-sensitive hospital use
- ② Patient experience scores

Note: It's challenging to assess clinician quality because Medicare does not collect beneficiary-level clinical information or patient-reported outcomes

Quality of care in 2020 is difficult to assess due to the effects of the coronavirus pandemic

- Geographic variation in rates of ambulatory care-sensitive hospital use signals opportunities to improve
 - Rates of ambulatory care-sensitive hospitalizations and ED visits are about twice as high in some hospital service areas than others
- CAHPS patient experience scores are high
 - Rating of health plan (FFS Medicare): 84
 - Rating of health care quality: 86

Clinicians' revenues and costs are assessed based on...

- ① Medicare payments per beneficiary
- ② Clinicians' input costs
- ③ Ratio of commercial payment rates to Medicare's payment rates
- ④ Physician compensation

Medicare payments and clinicians' input costs

- Allowed charges (program payments + beneficiary cost sharing) per beneficiary grew by average of 2% from 2015-2019
 - But then declined by 10.6% in 2020 (\$8.7 billion below 2019)
- We estimate clinicians received at least \$17 billion from Provider Relief Fund and up to \$18 billion through forgiven loans from Paycheck Protection Program
- Increase in Medicare Economic Index (measure of input costs)
 - 1.9% in 2020
 - 1.8% in 2023 (projected)

Data are preliminary and subject to change.

Sources: MedPAC analysis of Medicare fee-for-service claims data, Provider Relief Fund documentation, CMS National Health Expenditure data, and Paycheck Protection Program data.

Fee schedule allowed charges per beneficiary declined sharply in early 2020 before rebounding



Commercial payment rates continue to be higher than Medicare payment rates for clinician services

- Commercial PPO payment rates were 138% of FFS Medicare rates in 2020, up from 136% in 2019
- Ratio varied by type of service
 - e.g., 130% for E&M office visits, 172% for coronary artery surgery
- Growth in commercial prices could be due to greater consolidation of physician practices, which gives providers more leverage to negotiate higher prices with commercial payers

Median physician compensation from all payers grew by 2.5% per year from 2016 to 2019 and 1.0% in 2020

- Median compensation (all specialties) was \$304,000 in 2020
 - Compensation much lower for primary care (\$250,000) than nonsurgical, procedural specialties (\$442,000) and radiology (\$475,000)
- Differences in compensation probably reflect Medicare's underpricing of E&M office visits
- CMS increased RVUs for E&M office visits in 2021
- There are still opportunities to improve overall accuracy of the physician fee schedule

Summary of our assessment of the adequacy of payments for physicians and other health professionals



Beneficiaries' access to care

- Beneficiaries' care experiences are comparable to privately insured people and to pre-pandemic years
- Number of clinicians stable
- Volume of clinician encounters per beneficiary declined in 2020 due to pandemic



Quality of care

- Wide variation in rates of ambulatory care-sensitive hospitalizations and ED visits
- Patient experience scores remain high



Clinicians' revenues and costs

- Medicare payments to clinicians declined by \$9B in 2020, but clinicians received tens of billions of dollars in relief funds
- Medicare payments per beneficiary decreased during 2020, then rebounded
- MEI expected to grow 1.8% in 2023
- Commercial payment rates exceed Medicare's rates
- Physicians' compensation increased from 2019 to 2020 despite the pandemic

Medicare claims lack information about many audio-only telehealth services

- During the public health emergency (PHE), Medicare pays for many telehealth services when provided through an audio-only interaction
- Commission's policy option: CMS should temporarily cover some telehealth services—including audio-only services—after the PHE if there is potential for clinical benefit (March 2021)
- But there is no information on claims indicating whether a telehealth service was provided by audio-only or audio-video interaction
 - Except for telehealth services for mental health and substance use disorders and certain evaluation and management services
- CMS and others are unable to use claims data to assess impact of audio-only services on access, quality, and cost