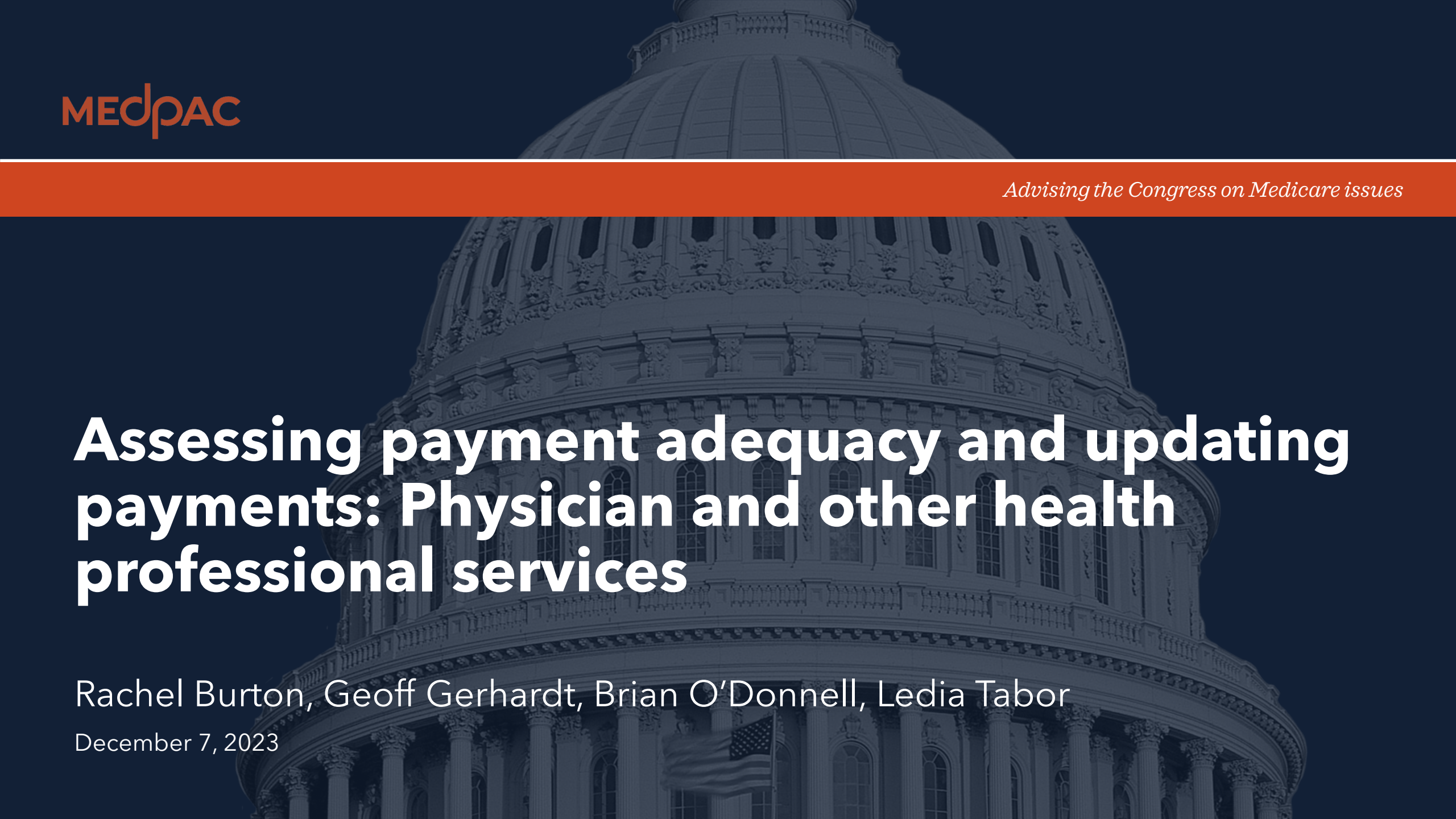

MEDPAC

Advising the Congress on Medicare issues

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

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December 7, 2023

Presentation roadmap

1. Background on Medicare's physician fee schedule
2. Beneficiaries' access to clinician care
3. Quality of clinician care
4. Clinicians' revenues and costs
5. Chair's draft recommendation
6. Discussion

Background

Medicare's physician fee schedule

- Pays for about 8,000 different clinician services in a wide variety of clinical settings (e.g., offices, hospitals, ambulatory surgical centers)
- In 2022, Medicare and FFS beneficiaries paid 1.3 million clinicians a total of $91.7 billion for fee schedule services
- Compared to 2021:
  - Spending was 1.2% lower in 2022
  - Number of FFS beneficiaries was 3.9% lower in 2022
- In 2025, current law calls for a 0% update; a one-year-only increase of 1.25% that applied in 2024 will expire

Note: FFS (fee-for-service).
Source: MedPAC analysis of Medicare FFS claims data, annual report of the Boards of Trustees of the Medicare trust funds.

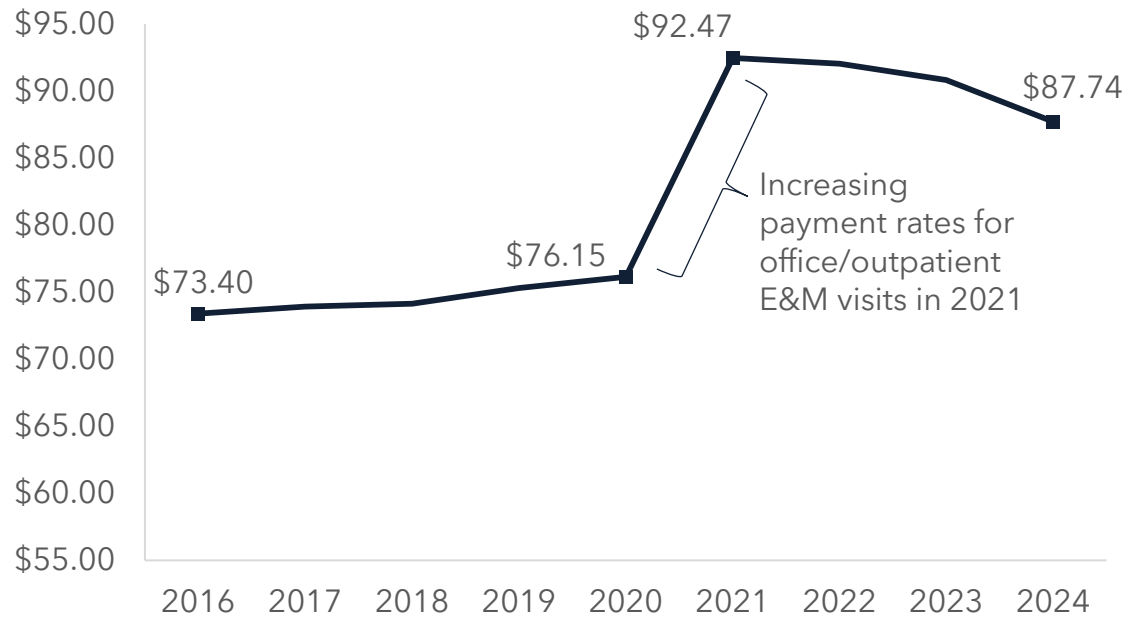
Recently the conversion factor has declined to offset higher payment rates for E&M services

- Conversion factor updates usually reflect:
  1. A percentage specified in law
  2. A percentage calculated by CMS to maintain budget neutrality
- MACRA specified updates of 0% per year for 2020–2025
- In 2021, CMS increased payment rates for office/outpatient E&M visits, which required a –6.8% budget-neutrality adjustment
- To avoid a reduction of this size, Congress provided one-year-only increases from 2021 to 2024 (+3.75%, +3%, +2.5%, +1.25%)
  - Has the effect of phasing in the –6.8% budget-neutrality adjustment

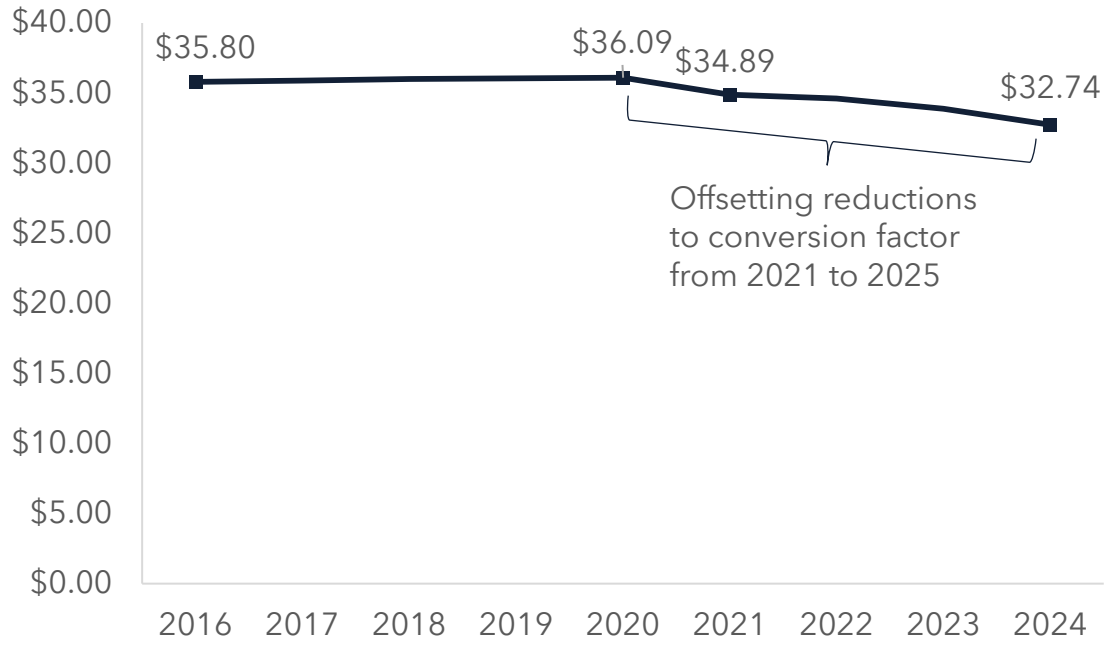
Note: E&M (evaluation and management), MACRA (Medicare Access and CHIP Reauthorization Act of 2015).

Increases to payment rates for office visits required decreases to the conversion factor

Payment rate for a sample E&M visit (CPT code 99213)



Conversion factor (used to calculate payment rates)



Note: E&M (evaluation and management), CPT (Current Procedural Terminology). The office/outpatient E&M visit code set refers to CPT codes 99202–99205 (new patients) and 99211–99215 (established patients). CPT code 99213 refers to a visit involving a low level of medical decision-making; if time is used for code selection, 20–29 minutes are spent on the day of the encounter. Payment rates shown for 99213 are nonfacility national payment rates. In 2024, a $16 add-on code (G2211) will further increase payments for visits furnished by clinicians providing ongoing care to a patient (not shown at left).

Source: Centers for Medicare & Medicaid Services. Search the physician fee schedule (interactive billing code payment rate look-up website), https://www.cms.gov/medicare/physician-fee-schedule/search/overview.

Payment adequacy framework: Physician and other health professional services

Beneficiaries' access to care

- Patient experiences in surveys and focus groups
- Share of clinicians accepting Medicare vs. private insurance
- Supply of clinicians
- Volume of clinician encounters

Quality of care

- Ambulatory care–sensitive hospital use
- Patient experience scores

Access to capital

- Not used to assess payment adequacy for physician and other health professional services

Clinicians' revenues and costs

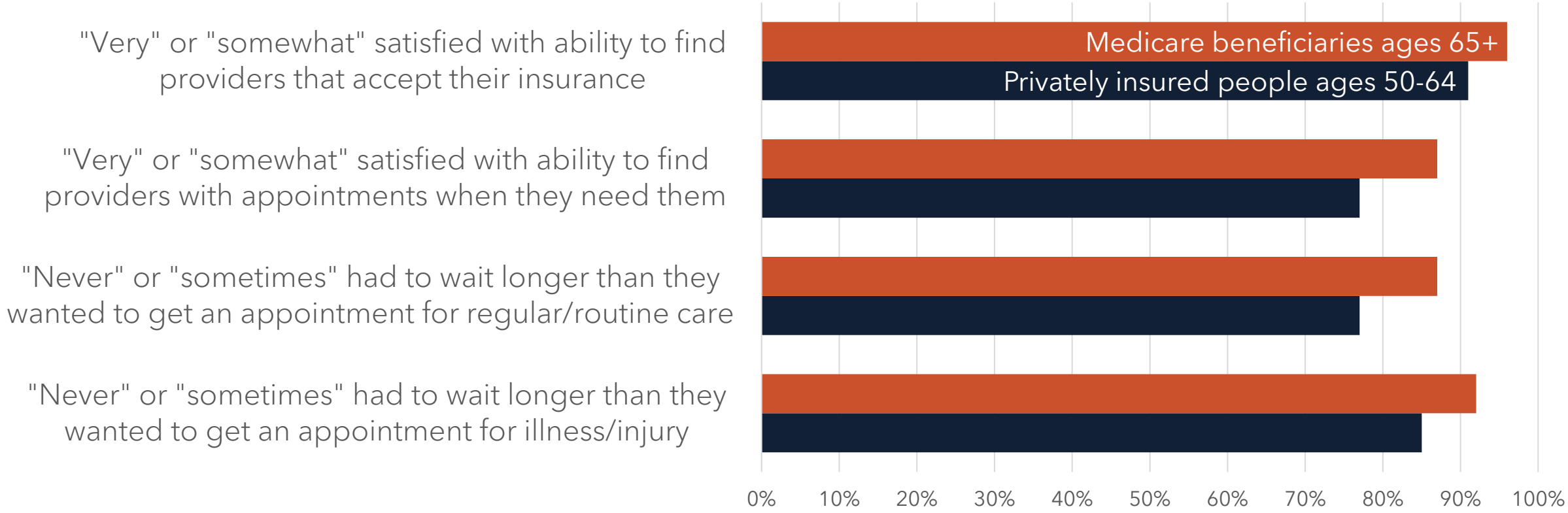
- Spending per FFS Medicare beneficiary
- Ratio of private insurance payment rates to FFS Medicare's payment rates
- Clinicians' all-payer compensation
- Growth in clinicians' input costs

Update recommendation for physician fee schedule payment rates for 2025

Note: FFS (fee-for-service).

Access to care

Medicare beneficiaries' access to care comparable with, or better than, that of privately insured people in 2023



Note: Survey sample sizes are 4,991 Medicare beneficiaries (including fee-for-service and Medicare Advantage enrollees) and 5,527 privately insured people; sample sizes for particular questions varied. Results are weighted to be nationally representative. Differences shown above are statistically significant at the 95% confidence level. Satisfaction rates are among respondents who received any care in the past 12 months. Shares reporting how often they had to wait for appointments are among respondents who needed such appointments in the past 12 months.

Source: MedPAC's access-to-care survey conducted in the summer of 2023.

Comparable shares of clinicians accept new Medicare patients and new privately insured patients

Note: Shares shown are among the 94% of non-pediatric office-based physicians who reported accepting new patients.
Source: Schappert, S. M., and L. Santo, Department of Health & Human Services. 2023. Percentage of office-based physicians accepting new Medicare, Medicaid or privately insured patients in the United States: National Ambulatory Medical Care Survey, 2021. Hyattsville, MD: National Center for Health Statistics. https://www.cdc.gov/nchs/data/namcs/2021-P3P4-NAMCS-Provider-Data-Dictionary-COVID-Dashboard-RDC-Researcher-Use-508.pdf.

Number of clinicians billing Medicare has increased, but the mix has changed

- From 2017 to 2022, the number of clinicians billing under the fee schedule grew by an average of 2.4% per year
- Changes varied by the type and specialty of clinician (2017–2022)
  - Rapid growth in APRNs and PAs
  - Growth in specialist physicians
  - Decline in primary care physicians
- Nearly all clinicians who billed under the fee schedule in 2022 accepted Medicare's payment rates as payment in full

Note: APRNs (advanced practice registered nurses), PAs (physician assistants).
Source: MedPAC analysis of Medicare claims data and annual report of the Boards of Trustees of the Medicare trust funds.

Number of clinician encounters per FFS beneficiary has increased

- Number of encounters per beneficiary with all clinicians grew by 3.1% from 2021 to 2022
- Change in number of encounters per beneficiary varied by type of and specialty of clinician
  - Primary care physicians decreased by 0.3%
  - Specialist physicians increased by 1.3%
  - APRNs and PAs increased by 10.4%

Note: FFS (fee-for-service), APRN (advanced practice registered nurse), PA (physician assistant).
Source: MedPAC analysis of Medicare claims data and annual report of the Boards of Trustees of the Medicare trust funds.

Quality of care

Quality of clinician care is difficult to assess

- Medicare does not collect much clinical information (e.g., blood pressure, lab results) or patient-reported outcomes (e.g., improving or maintaining physical and mental health) at the FFS beneficiary level
- CMS measures the performance of clinicians using MIPS
- MedPAC recommended eliminating MIPS because it is fundamentally flawed:
  - Clinicians choose which quality measures to report from a catalog of 100s of different measures
  - Many clinicians are exempt from reporting

Note: FFS (fee-for-service), MIPS (Merit-based Incentive Payment System).
Source: Medicare Payment Advisory Commission. 2018. *Report to the Congress: Medicare payment policy*. Washington, DC: MedPAC.

MedPAC assesses quality of care based on . . .

1. **Ambulatory care–sensitive hospitalizations and ED visits**
2. **Patient experience scores (FFS CAHPS®)**

Note: ED (emergency department), FFS (fee-for-service). CAHPS® (Consumer Assessment of Health Providers and Systems®) is a registered trademark of the Agency for Healthcare Research and Quality (AHRQ).

Quality of clinician care was indeterminate in 2022

- Geographic variation in rates of ambulatory care-sensitive hospital use signals opportunities to improve
  - Rates of ambulatory care-sensitive hospitalizations and ED visits were about twice as high in some hospital service areas than others
- CAHPS patient experience scores were relatively stable
  - Rating of health plan (FFS Medicare): 83/100
  - Rating of health care quality: 85/100

Note: ED (emergency department), CAHPS® (Consumer Assessment of Health Providers and Systems®), FFS (fee-for-service). CAHPS scores are linear mean scores up to 100. CAHPS is a registered trademark of the Agency for Healthcare Research and Quality.

Source: MedPAC analysis of 2022 Medicare FFS claims data; FFS CAHPS mean scores publicly reported by CMS.

Clinicians' revenues and costs

Payments per FFS beneficiary are growing for most types of service

- Allowed charges (program payments + beneficiary cost sharing) for all fee schedule services per FFS beneficiary grew by 2.8% from 2021 to 2022
  - About the same as the average annual growth rate from 2017 to 2019 (2.9%)
- Growth in allowed charges varied by type of service in 2022
  - Ranging from –0.2% for major procedures to 6.8% for tests
  - E&M services grew by 2.2%
  - 2022 growth rates for most types of services were similar to rates in 2017–2019

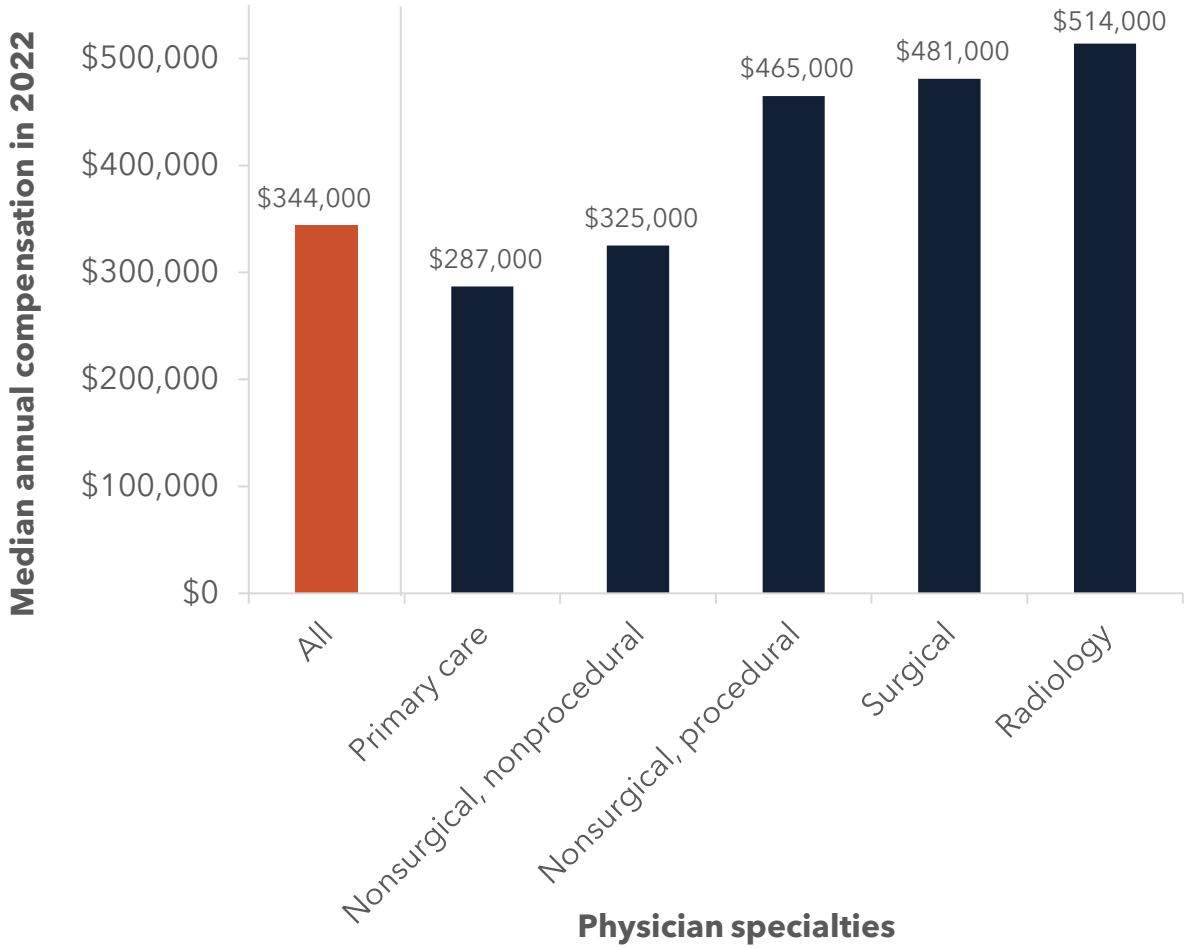
Note: FFS (fee-for-service), E&M (evaluation and management).
Source: MedPAC analysis of Medicare claims data, annual report of the Boards of Trustees of the Medicare trust funds.

Private PPO payment rates remained higher than Medicare payment rates for clinician services in 2022

- We compare private insurance rates with Medicare rates because large differences could create an incentive for clinicians to focus on patients with private insurance
- Private PPO payment rates were 136% of FFS Medicare rates in 2022, up from 134% in 2021
- The increasing difference between Medicare and private-payer rates is part of a long-term trend
  - In 2011, private insurance rates were 122% of Medicare rates
  - Studies indicate that the growth in private insurance rates is partly due to increased provider consolidation, which enables greater negotiating power

Note: PPO (preferred provider organization), FFS (fee-for-service).
Source: MedPAC analysis of Medicare claims data and data on paid claims for PPO enrollees of a large national insurer.

In 2022, clinicians' all-payer compensation strongly rebounded after slower growth during the pandemic



- Increase from 2021 to 2022:
  - 9% for physicians (median: $344,000)
  - 5% for advanced practice providers (median: $131,000)
- Average annual increase from 2018 to 2022:
  - 3.4% for physicians
  - 4.0% for advanced practice providers

Note: "Compensation" refers to median total cash compensation adjusted to reflect full-time work and does not include employer retirement contributions or payments for benefits. CPI–U (consumer price index for all urban consumers), NP (nurse practitioner), PA (physician assistant).

Source: SullivanCotter's compensation and productivity surveys, 2023.

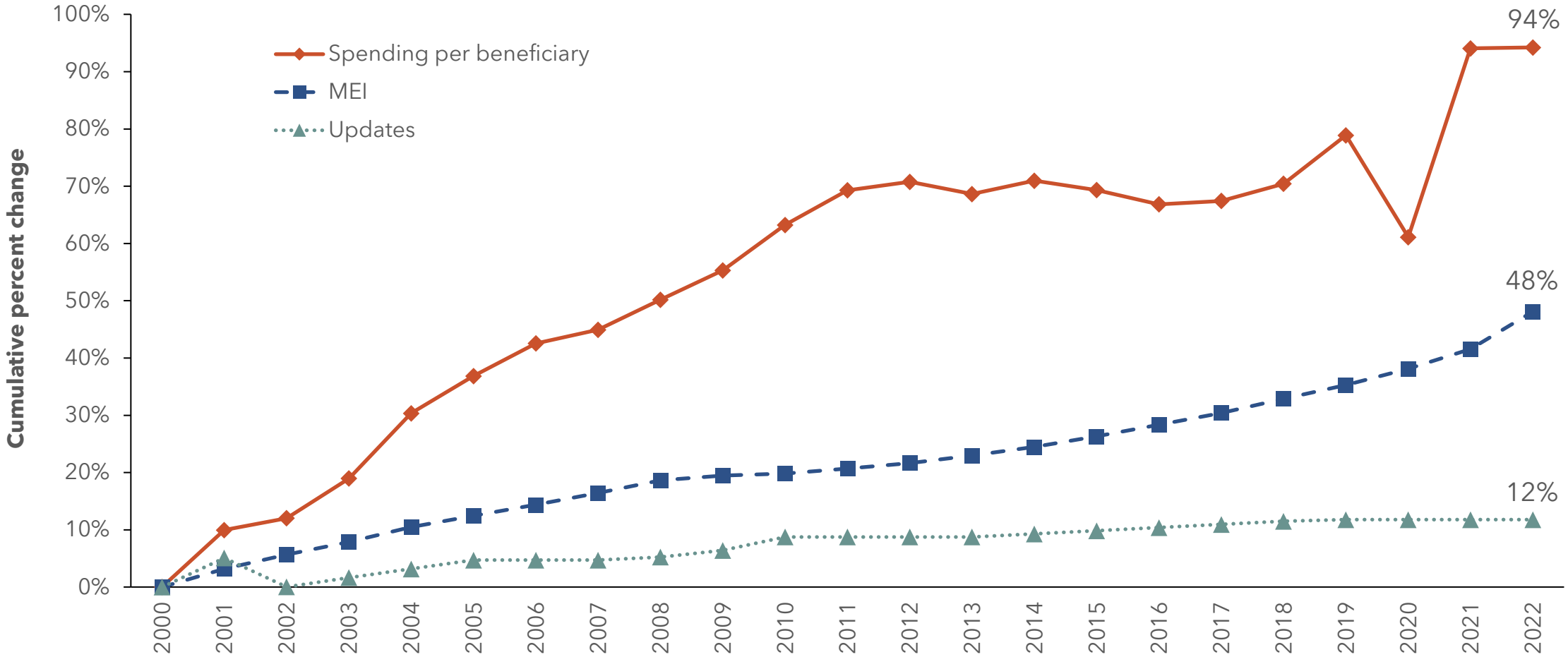
Growth in clinician input costs accelerated in recent years but is projected to moderate

- Medicare Economic Index (MEI) measures clinicians' input costs and is adjusted for economy-wide productivity
- MEI growth was 1% to 2% per year for several years before the coronavirus pandemic, increased through 2022, and is projected to decline through 2025

2020	2021	2022	2023	2024	2025
Actual MEI growth			**Projected MEI growth**		
2.1	2.5	4.6	4.1	3.0	2.6

Note: MEI growth projections are based on data from the second quarter of 2023. These figures are updated quarterly by CMS and are subject to change.
Source: CMS market basket update.

Physician fee schedule spending per FFS beneficiary grew substantially faster than the MEI or fee schedule payment updates, 2000–2022



Note: FFS (fee-for-service), MEI (Medicare Economic Index). MEI data are from the new version of the MEI (based on data from 2017). "Spending per FFS beneficiary" is based on incurred spending under the physician fee schedule. Fee schedule updates do not include Merit-based Incentive Payment System adjustments, advanced alternative payment model participation bonuses, or payment increases of 3.75% in 2021 and 3.0% in 2022 because they are one-time payments not built into subsequent years' payment rates.

Source: MedPAC analysis of Medicare regulations and Trustees reports.

Summary: Physician and other health professional services

Beneficiaries' access to care

- Beneficiaries' access comparable with, or better than, privately insured
- Comparable shares of clinicians accept patients with Medicare and private insurance
- Total number of clinicians increasing, mix changing
- Clinician encounters per FFS beneficiary increased by 3.1% in 2022

Mostly positive

Quality of care

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

Indeterminate

Clinicians' revenues and costs

- Spending per Medicare FFS beneficiary increased by 2.8% in 2022
- Ratio of private insurance rates to Medicare rates increased slightly
- Median compensation grew 9% for physicians and 5% for advanced practice providers in 2022
- MEI growth peaked in 2022 but is expected to slow to 2.6% in 2025

Mostly positive

Note: FFS (fee-for-service), ED (emergency department), MEI (Medicare Economic Index).

MedPAC's March 2023 physician fee schedule recommendations

1. For 2024, update base payment rate by half of projected increase in Medicare Economic Index
2. Establish add-on payments for fee schedule services furnished to low-income Medicare beneficiaries
   - 15% add-on for primary care clinicians and 5% add-on for non–primary care clinicians
   - Add-on payments should not be subject to beneficiary cost sharing and not be budget neutral

Note: We define "low-income Medicare beneficiaries" as those who receive full or partial Medicaid benefits and/or receive the Part D low-income subsidy.
Source: MedPAC March 2023 report to the Congress.

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