

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

Ariel Winter, Rachel Burton, Geoff Gerhardt, Ledia Tabor

December 3, 2020

Payment adequacy framework and the coronavirus public health emergency

- The coronavirus has had tragic effects on beneficiaries and the health care workforce and material effects on providers
- We start with 2019 data; consider information gained in 2020; and evaluate current law for 2020, 2021 and 2022
- Temporary or highly variable coronavirus effects are best addressed through targeted temporary funding policies rather than permanent changes to all providers' payment rates in 2022 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 2019, Medicare paid \$73.5 billion to 1.3 million clinicians
- Current law: no update to base payment rates in 2022, but
 - +/- performance-based adjustment for clinicians in MIPS
 - Bonus for clinicians in advanced alternative payment models (5% of their professional services payments)

One million clinicians will receive positive MIPS payment adjustments or 5% A-APM bonuses in 2021

Number of clinicians receiving positive MIPS adjustments



Number of clinicians receiving A-APM bonuses



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

Beneficiaries'
access to care



Quality
of care



Payments
and costs



Update recommendation for physician fee schedule base rates for 2022

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

① Beneficiary feedback

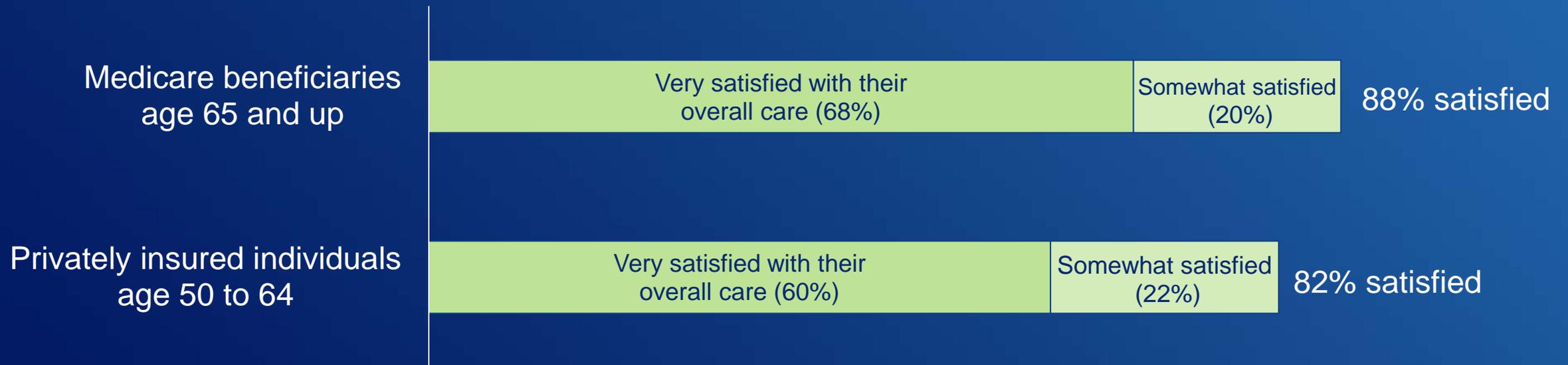
- Beneficiary focus groups
- MedPAC's annual phone survey
- CMS's Medicare Current Beneficiary Survey

② Supply of clinicians

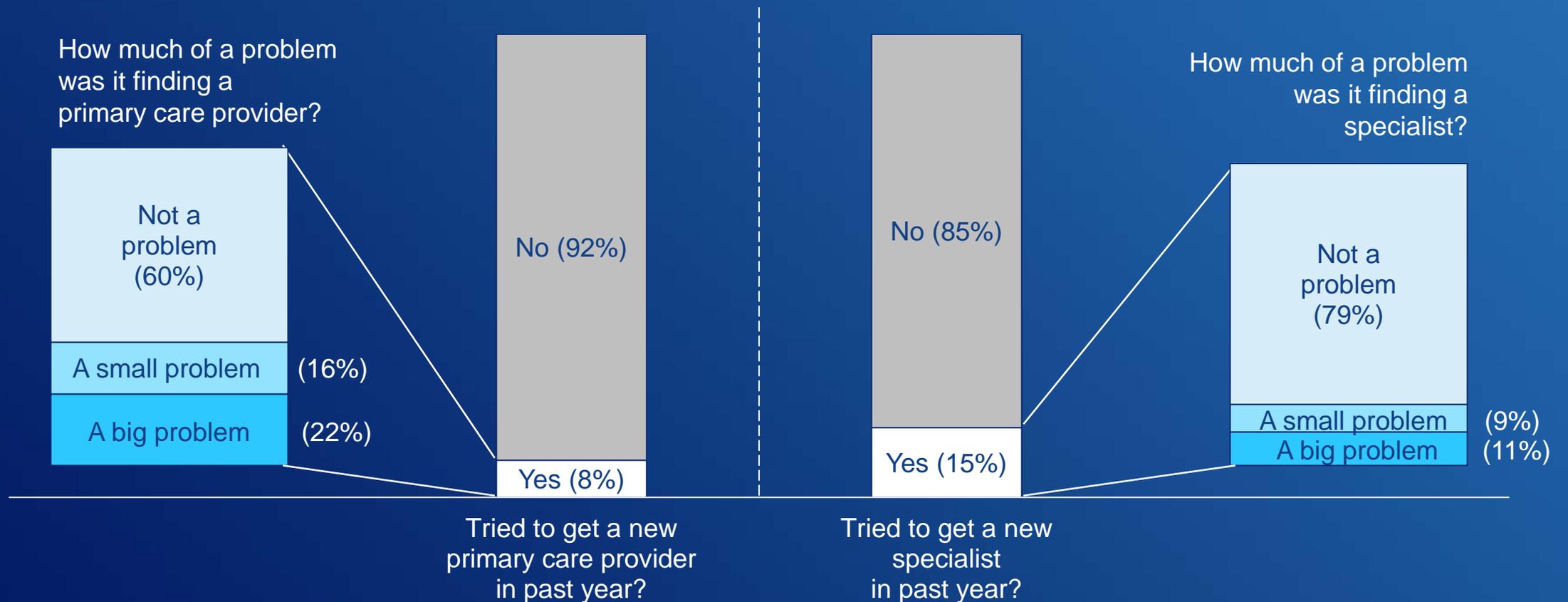
③ Number of clinician encounters per beneficiary

Beneficiaries report access to care that is comparable to privately insured individuals

- Vast majority of beneficiaries report they have a usual care provider, who spends enough time with them, and they do not forego care
- Despite the pandemic, no increase in 2020 in the share of beneficiaries experiencing wait times for appointments or foregoing care



Among beneficiaries who tried to find a new doctor, more report problems finding a new primary care provider than specialist



Source: MedPAC's annual access-to-care telephone survey, 2020.

Note: Numbers may not sum to 100 percent because the figure does not show the percent of respondents who said they didn't know or refused to answer the question. Data are preliminary and subject to change.

The supply of clinicians billing Medicare continues to grow

- From 2018 to 2019, growth in the number of clinicians billing the fee schedule (3.6%) outpaced growth in beneficiary enrollment (2.4%)
- Growth rates varied by the type and specialty of clinician
 - Rapid growth in APRNs & PAs
 - Steady growth in specialists
 - Small decline in number of primary care physicians
- Nearly all clinicians who billed the fee schedule in 2019 accepted Medicare's payment rates as payment in full

Number of encounters per beneficiary is growing

- Number of encounters per beneficiary with clinicians grew by an average of 1.3% per year from 2014 to 2019
- In 2019, nearly 60% of encounters involved a specialist physician
- Growth in encounters varied by type and specialty of clinician
 - E.g., from 2014 to 2019, encounters per beneficiary with primary care physicians decreased by an average of 2.4% per year while encounters with APRNs/PA increased by an average of 11.5%

Quality of care is assessed based on...

- ① Ambulatory care-sensitive hospital use
- ② Prevalence of low-value care

Opportunities to improve quality of ambulatory care

- Geographic variation in rates of ambulatory care sensitive hospital use signals opportunities to improve (2019)
 - Rates of ambulatory care-sensitive hospitalizations and ED visits are about twice as high in some hospital service areas as others
- Substantial use of low-value care in 2018
 - Based on 31 measures including imaging for low-back pain, stent placement for stable coronary disease
 - Between 22% and 36% of beneficiaries received at least one low-value service, and Medicare spending for these services ranged from \$2.4 billion to \$6.9 billion

Payments and costs for clinicians are assessed using...

- 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 input costs are growing

- Allowed charges (program payments + beneficiary cost sharing) per beneficiary grew 3.7% from 2018-2019
 - Higher than the average annual growth from 2014-2018 (1.3%)
- Growth in allowed charges varied by type of service in 2019
 - Ranging from 2.6% for anesthesia services to 5.6% for other procedures
 - E&M services grew by 2.9%
- Increase in Medicare Economic Index (measure of input costs)
 - 1.5% in 2019
 - 1.8% in 2022 (projected)

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

- Commercial PPO clinician payment rates were 136% of Medicare rates in 2019, up slightly from 135% in 2018
- Ratio varied by type of service
 - E.g., 128% for E&M office visits, 168% for coronary artery surgery
- Growth in commercial prices could be due to greater consolidation of physician practices, which gives physicians more negotiating power with private plans

Median physician compensation from all payers grew by 3.3% per year from 2015 to 2019

- Median compensation (all specialties) was \$315,000 in 2019
 - Compensation much lower for primary care (\$254,000) than surgical specialties (\$444,000) and radiology (\$472,000)
- Physician compensation reflects Medicare's fee schedule because many insurers use Medicare's RVUs
 - Thus, compensation is affected by mispricing in fee schedule
- CMS will increase RVUs for E&M office visits in 2021
 - CMS needs to do more to improve accuracy of fee schedule

Summary of our analysis



Beneficiaries' access to care

- ✓ Comparable access to care as privately insured
- ✓ No impacts of pandemic on unwanted appointment delays or rates of foregone care
- ✓ Number of clinicians increasing faster than number of beneficiaries
- ✓ Volume of clinician encounters per beneficiary increasing

Positive



Quality of care

- ✗ Wide variation in rates of ambulatory care-sensitive hospitalizations and ED visits
- ✗ Substantial use of low-value care

Room to improve



Payments and costs

- ✓ Payments per beneficiary increasing
 - Growth of MEI
 - Commercial payment rates higher than Medicare's rates
- ✓ Physician compensation increasing

Positive

Impact of the pandemic on clinicians' services

- Access to care
 - No increase in unwanted delays getting appointments or foregone care
 - Substantial use of telehealth
- Quality of care
 - Difficult to assess due to changes in service use
- Payments and costs
 - Clinicians' Medicare revenue initially declined
 - Medicare increased coverage of telehealth services at higher payment rates
 - Congress appropriated hundreds of billions of dollars to offset revenue losses
 - Revenues have rebounded
- We will continue to monitor the environment