



Advising the Congress on Medicare issues

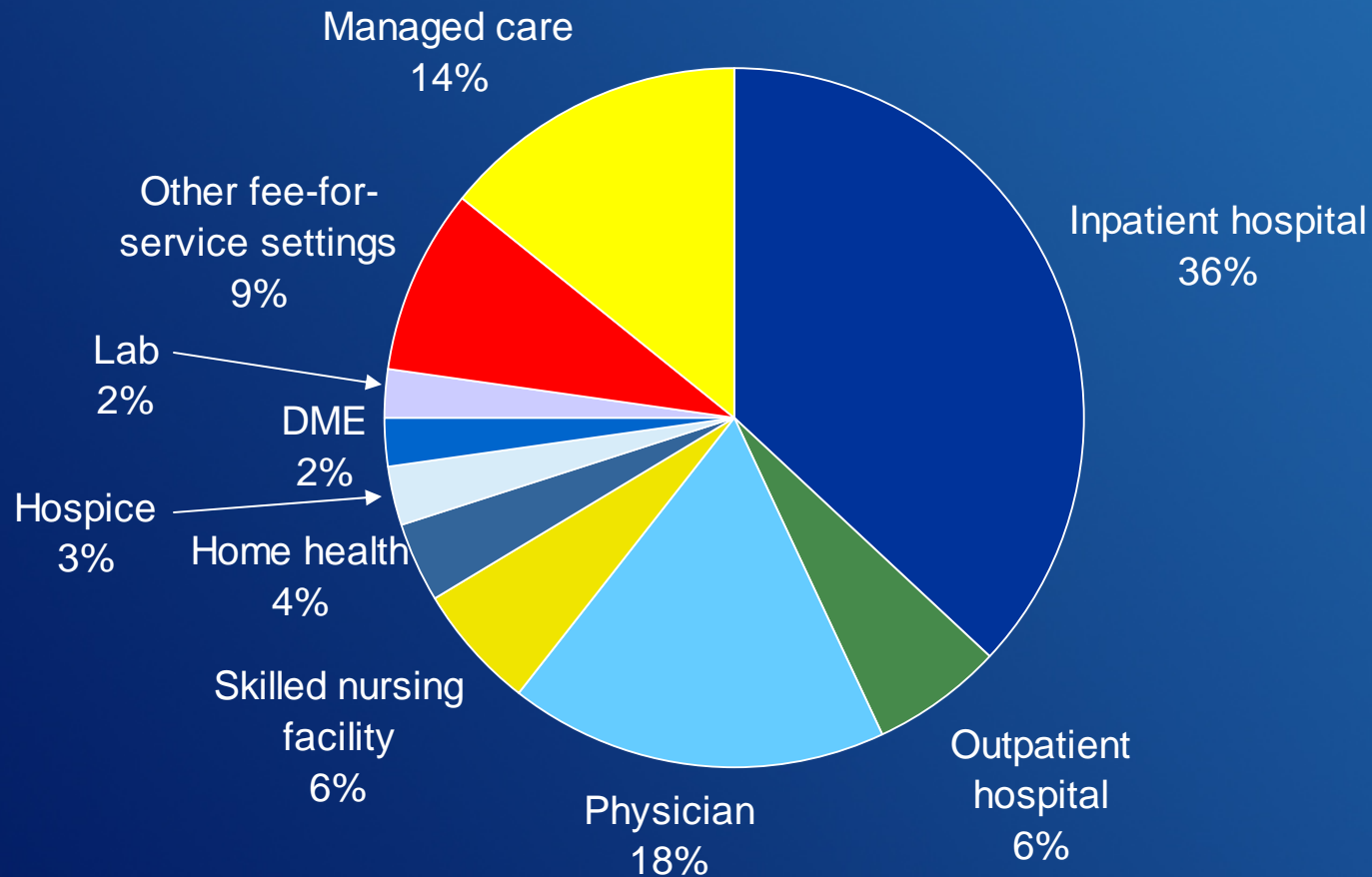
Medicare Physician Payment

Mark E. Miller, Ph.D.
Executive Director
Medicare Payment Advisory Commission
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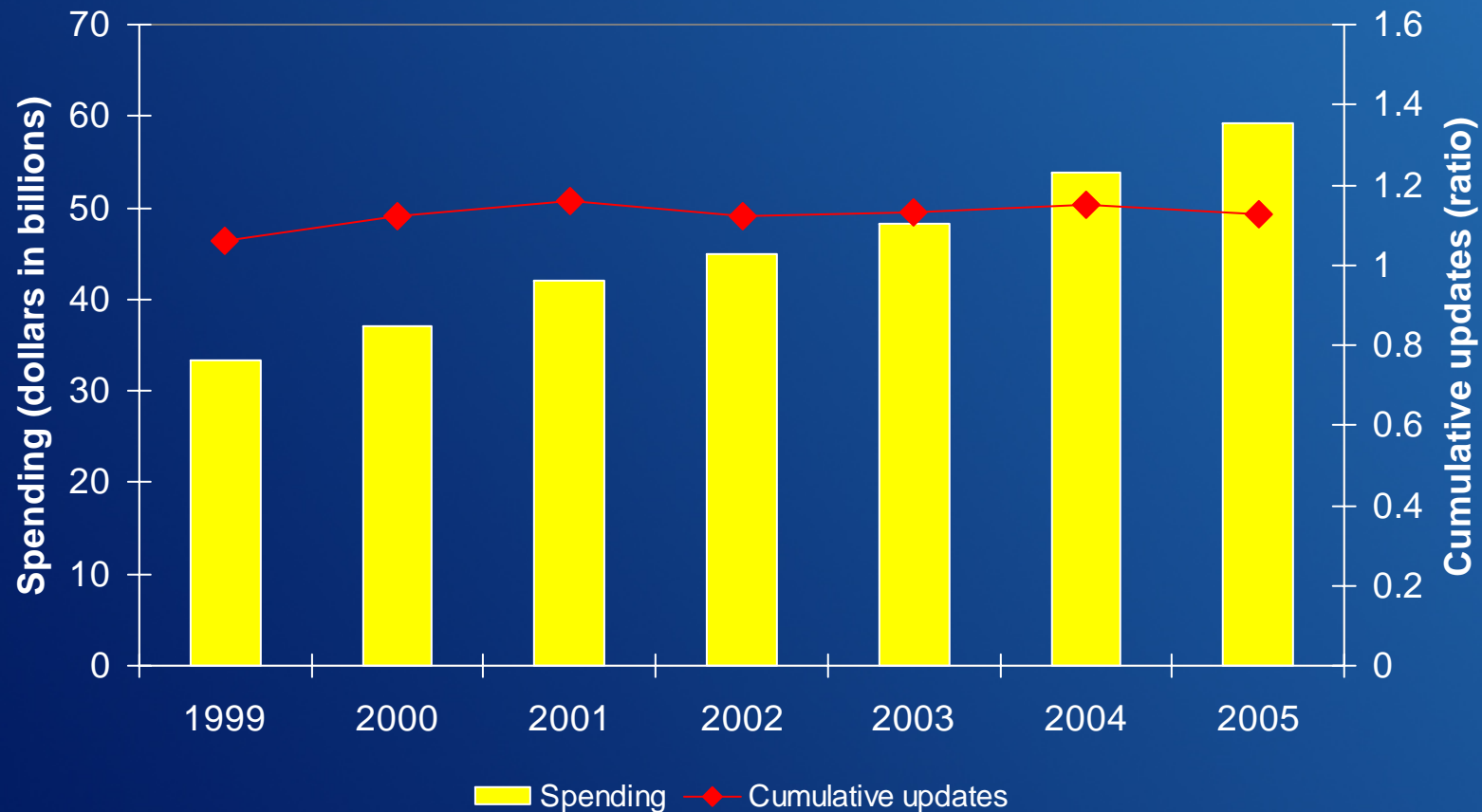
Overview of Medicare payment for physician services

- Each year, 95 percent of beneficiaries receive at least one physician service
- 566,629 physicians billed Medicare (2005)
- Payment system: fee schedule
- Payment rates for over 7,000 different services

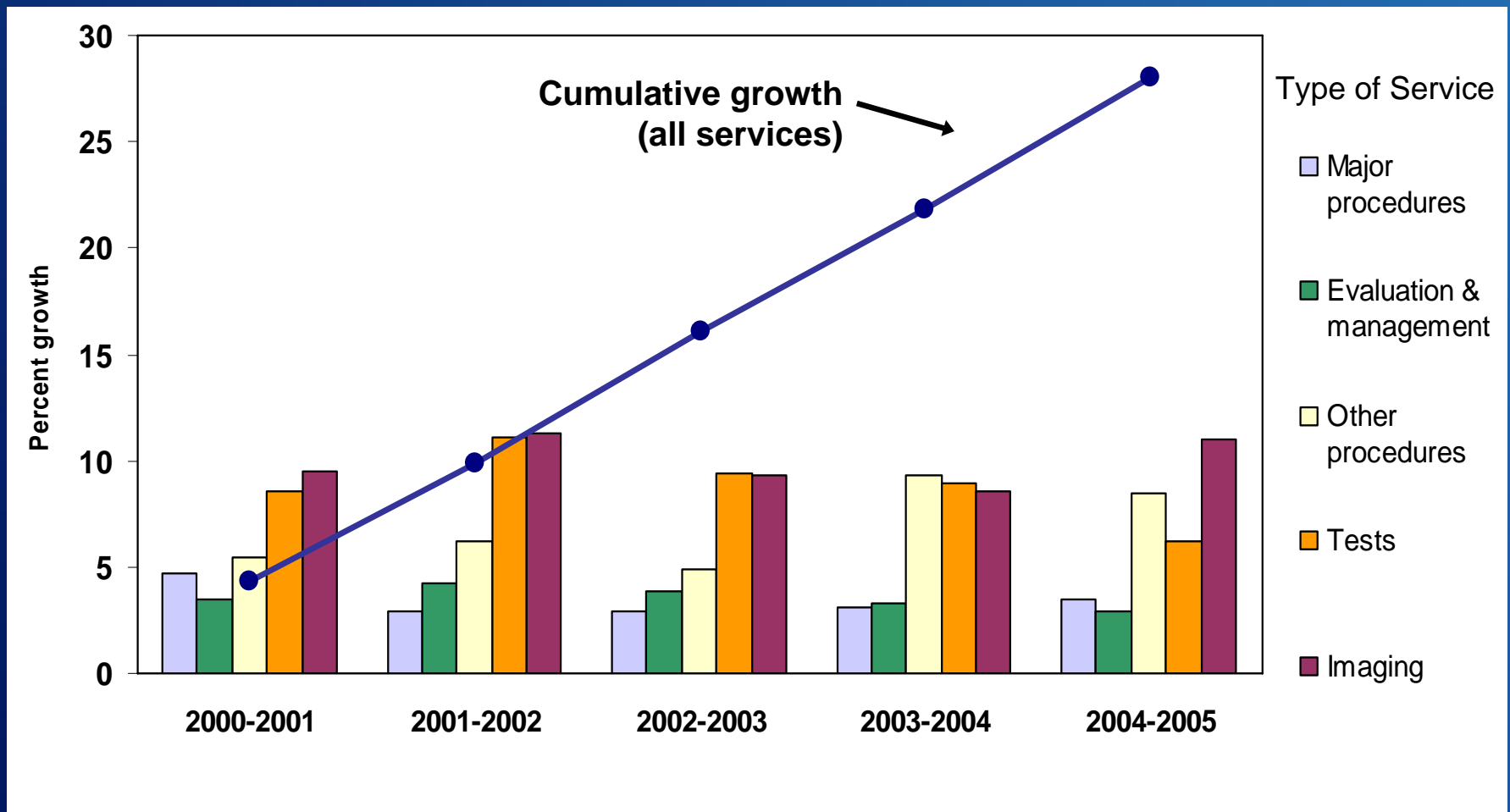
Total benefit spending in 2005= \$330.3 billion



Physician spending and annual payment updates



Continued growth in the use of physician services per beneficiary, 2000-2005



Current policy on volume control

- Target for spending determined by a sustainable growth rate (SGR)
- SGR allowance for:
 - Changes in input prices
 - Growth in FFS enrollment
 - Changes in spending due to law and regulation
 - Growth in real GDP per capita
- Payment updates are adjusted up or down if actual spending differs from the target

Issues

- Explaining volume growth
 - Technology/site of service/malpractice
 - Geographic variation/supply sensitive
 - Studies cannot fully explain volume growth
- Implications
 - Short-run
 - Impact on general revenues (trigger for legislative action)
 - Beneficiary spending, including the Part B premium
 - Long-run sustainability

Principles of Medicare Payment

- Ensure beneficiary access to high quality care in an appropriate setting
- Control program spending
- Give providers an incentive to supply care efficiently

MedPAC report outline

1. Introduction
2. Description of SGR
3. Improving the value of Medicare physician payment system
4. Analysis of mandated and other expenditure control options
5. Cross-cutting issues
6. Alternative paths to expenditure control

Two pathways

- Fundamental question: Retain an expenditure target for physicians?
- Pathway #1
 - Repeal SGR
 - Develop and adopt new approaches for improving value
- Pathway #2
 - New system of expenditure targets for all Medicare
 - Geographic structure
 - Options for sharing gains from improved efficiency
 - Information to providers regarding practice styles
 - Develop and adopt new approaches for improving value