

# Medicare Physician Payment Reform

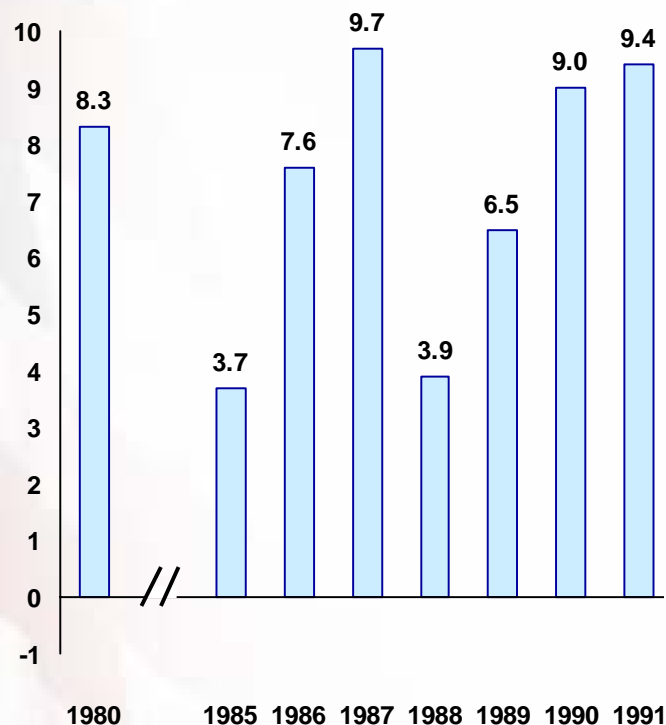
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**April 3, 2007**

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# Growth in Volume and Intensity of Medicare Physician Services per FFS Beneficiary, 1980-2005

Percentage

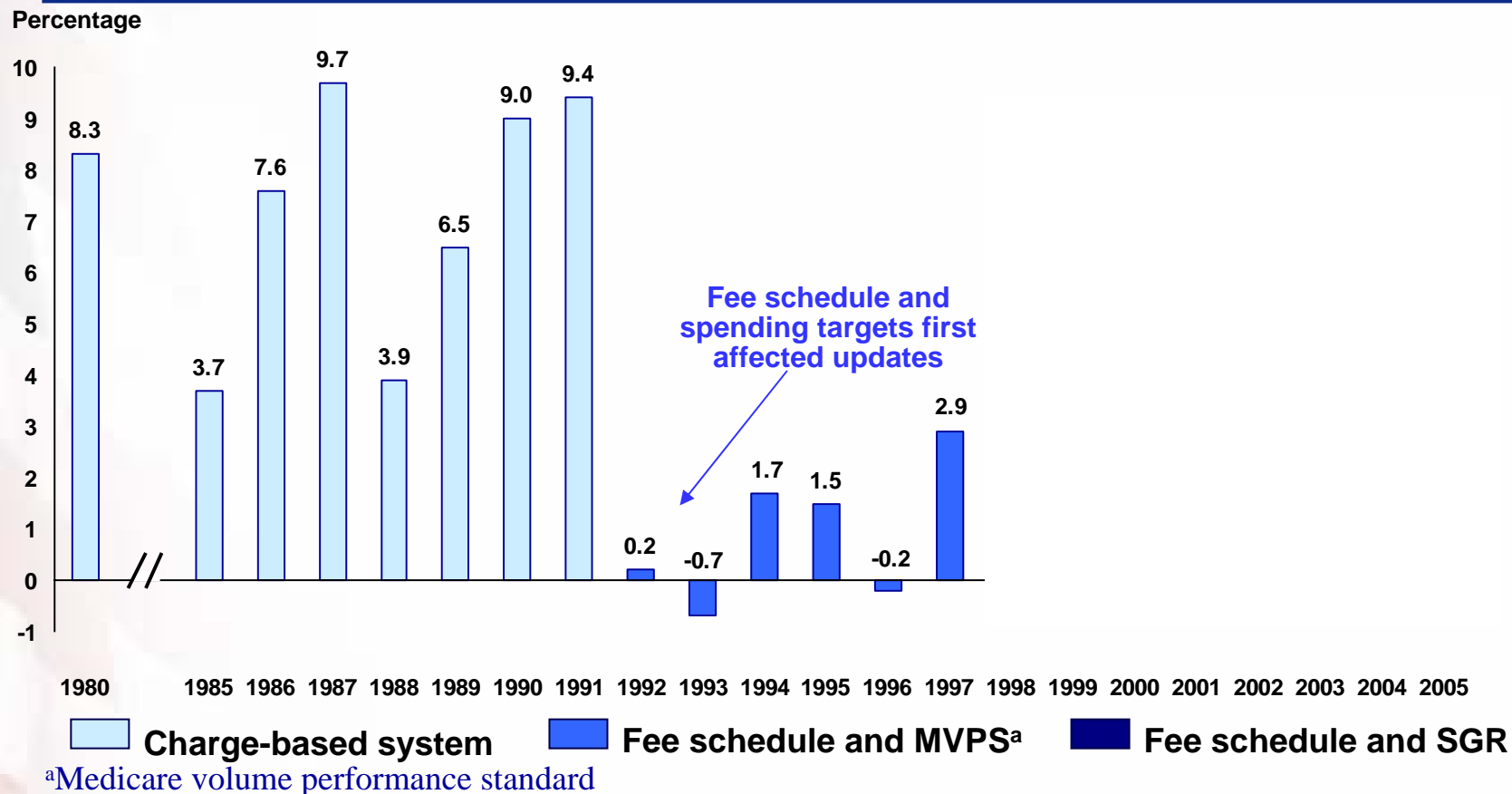


Charge-based system
  Fee schedule and MVPS<sup>a</sup>
 Fee schedule and SGR

<sup>a</sup>Medicare volume performance standard

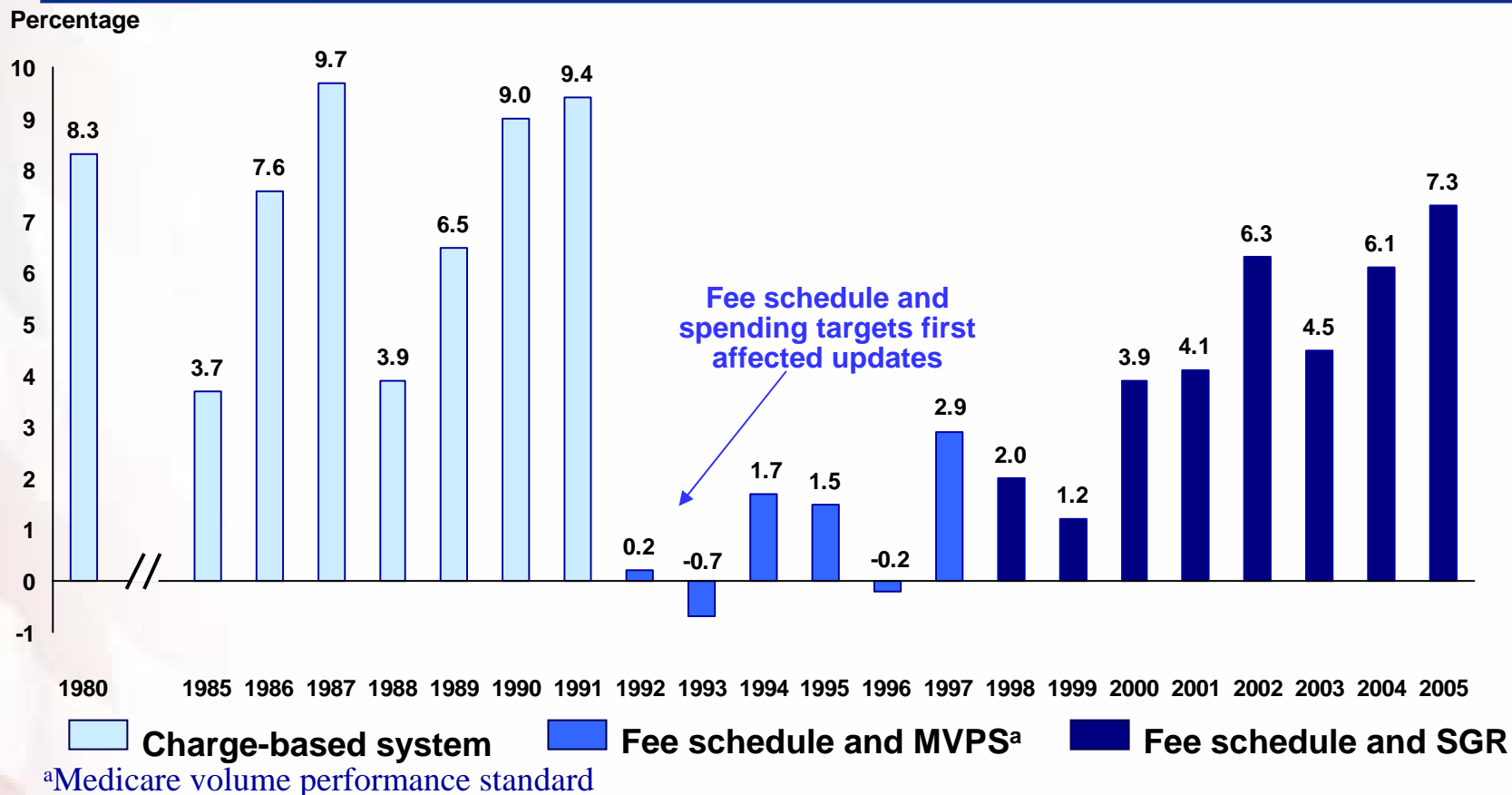
Sources: GAO analysis of data from CMS and the Boards of Trustees of the Federal HI and SMI Trust Funds

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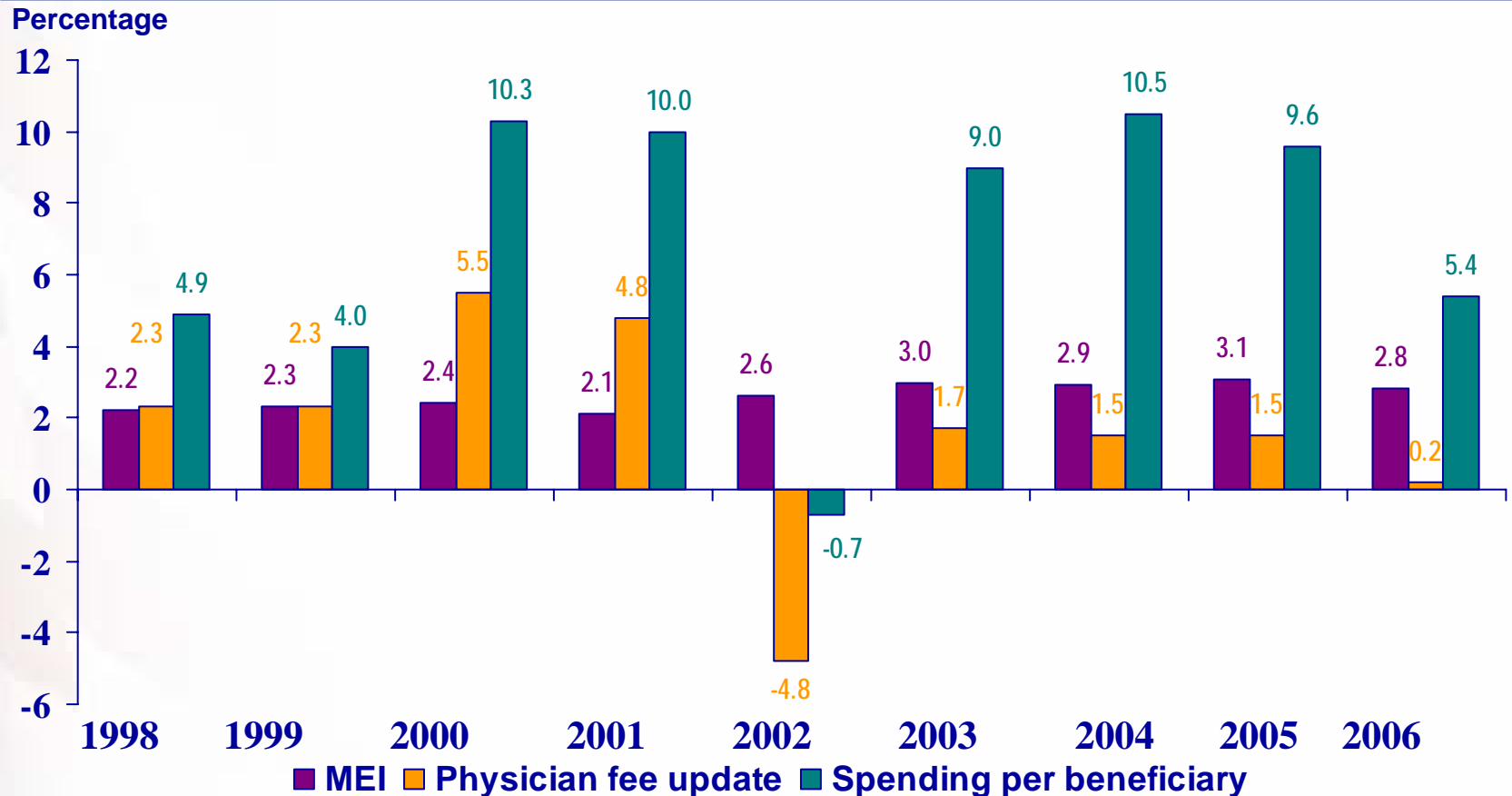
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# Percentage Change in MEI, SGR Physician Fee Update, and Medicare Spending per Beneficiary, 1998-2006



Numbers for 2006 are projected.

Source: GAO analysis of data from the Boards of Trustees of the Federal HI and SMI Trust Funds

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## The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)

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The MMA required GAO to study:

- (1) Sustainable Growth Rate (SGR)<sup>1</sup>
- (2) Physician compensation generally

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<sup>1</sup> *Medicare Physician Payments: Concerns about Spending Target System Prompt Interest in Considering Reforms*, GAO-05-85

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# Overview of current study

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## GAO's study:

- Addresses mandate in MMA to study physician compensation
- Examines strategies used by health care purchasers to encourage efficiency
- Estimates prevalence in Medicare of physicians likely to practice medicine inefficiently
- Examines potential for CMS to do physician profiling to encourage efficiency in Medicare.

# Ways purchasers use profiling to promote efficiency

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Purchasers' actions include:

- Educating physicians on profiling results
  - Designating physicians based on efficiency or quality
  - Using tiered arrangements to promote efficiency
  - Providing bonuses or imposing penalties
  - Excluding inefficient physicians from the network
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# GAO's examination of inefficiency in Medicare physician practices

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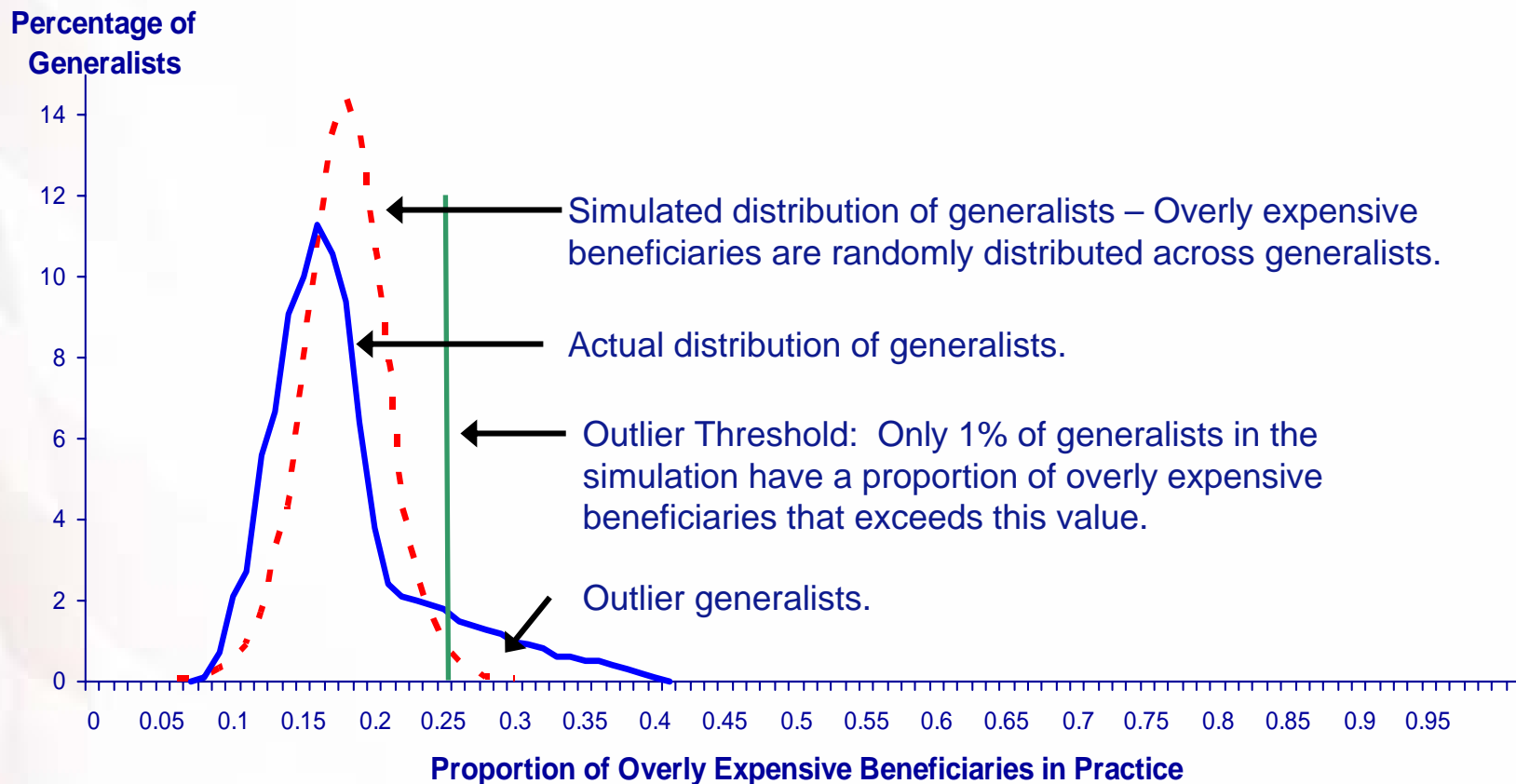
GAO:

- Examined 2003 Medicare claims data from 12 metropolitan areas
- Defined patients as overly expensive if they had high health expenditures given their health status
- Defined physicians as outliers if the proportion of overly expensive Medicare patients was high
- Concluded outliers were likely to practice medicine inefficiently

Finding: Physicians who were likely to practice medicine inefficiently were present in each of the 12 metropolitan areas.

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# Illustration of How We Identified Physician Outliers



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# Aspects of Medicare conducive to profiling

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Tools currently available in Medicare include:

- Comprehensive claims database on patients' Medicare covered health care
  - Enough physicians in most geographic areas to ensure meaningful comparisons
  - Experience in using methods to account for differences in patient health status
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