

Medicare Physician Payments

Problem:

Without Congressional intervention in 2009, physicians will face a 20% Medicare payment cut in 2010.

Background:

In 2008, Congress overrode a veto by President Bush and enacted a law preventing a 10.6% Medicare payment cut for physicians effective July 1, 2008 from being implemented. This measure replaced the Medicare reimbursement cut for doctors and replaced it with a payment freeze for the rest of 2008 plus a 1.1% payment hike for 2009.

The current Medicare physician payment system is based on a sustainable growth rate (SGR) formula which needs to be reformed. Wholesale SGR reform is needed to avoid annual Congressional fixes which has occurred for the past 7 years. Avoiding wholesale reform continues to escalate the costs of the permanent fix which is now estimated to cost as much as \$300 billion over 10 years.

In addition to fixing the SGR, many proposals to reform physician payment and to achieve cost savings have been proposed – i.e. medical home, payment for quality, gainsharing, bundling cost-effectiveness, and cost-comparativeness. We firmly believe these models need to be fully tested to evaluate their value but also to evaluate any adverse impact or unintended consequences.

Further, some of these ideas propose payment increases to some physicians which at the same time would decrease payment to other physicians. For example, the medical home model would provide an increase to primary care physicians which would decrease the payment to all other physicians—like allergists/immunologists. Concurrently, the annual Medicare physician payment to allergists/immunologists has barely kept up with the costs of physician's practices in more than 7 years. Further cuts to the allergy/immunology profession are unsustainable.

Recommendation:

- Negate the proposed 20% Medicare physician payment cut for 2010 and provide a 1.1% pay increase as supported by the Medicare Payment Advisory Commission
- Reform and permanently fix the SGR formula
- Remove physician administered drugs from the target calculations
- Fully test and evaluate ideas before changing the entire system