

### *Medicare Physician Fee Schedule Updates*

The Centers for Medicare & Medicaid Services released the proposed physician fee schedule for 2010 on July 1, 2009, which contained provisions for significant reductions to the current physician payment schedule in an attempt to limit healthcare expenditures to a sustainable target amount. Without Congressional intervention, physicians are expected to receive a 21.5% payment cut in 2010 and additional cuts between 5 and 6.5 percent in subsequent years.<sup>1</sup> For the past several years Congress has intervened to prevent such previously scheduled decreases. In efforts to thwart the scheduled payment cuts for 2010, the US House Ways and Means Committee and Energy and Commerce Committee have worked together to create a proposal to restructure the method in which physicians are reimbursed by Medicare.<sup>2</sup>

Under the proposal, payments would no longer be affected by the Sustainable Growth Rate (SGR) formula currently in effect. Rather, payments would grow with the Gross Domestic Product, with primary care being allowed increases of up to GDP plus two percent, and other physician services being allowed increases up to GDP plus one percent. The program, which would exclude pharmaceuticals and laboratory services, would begin in 2011 with a defined update for 2010 based on the Medicare economic index to allow for development of the new payment system.<sup>3</sup>

While the proposal would cost over \$300 billion over the next ten years, Secretary of Health and Human Services, Kathleen Sebelius, stated that it would be aided in part by recovered monies from increased anti-fraud efforts. According to Sebelius, the government saves \$1.55 for each \$1 spent on anti-fraud programs, and these savings and returned monies would partially offset the costs of the new physician payment system.<sup>4</sup> No other funding proposals were provided by the House Ways and Means Committee.

In December 2008, the American Medical Association (AMA) stated that reforming both physician payment and the SGR formula would be a top priority for the organization in 2009, calling for improvements to the “flawed” formula that they believe does not accurately reflect practice costs, cost increases, and geographic differences.<sup>5</sup> While the changes proposed by the House Ways and Means Committee provides a more general update to the payment formula and there is no guarantee whether or not these changes will be included in the draft reform bill expected to be completed later this summer, the proposal is, at the very least, an acknowledgement of the need to update and reform Medicare physician payments.

<sup>1</sup> “Medicare Program; Payment Policies Under the Physician Fee Schedule and Other Revisions to Part B for CY 2010”, The Centers for Medicare & Medicaid Services, p. 655

<sup>2</sup> “Reforming SGR and the Physician Payment System: Rewarding Primary Care, Coordination, and Efficiency,” United States House of Representatives, Ways and Means Committee, Press Release, June 15, 2009, <http://waysandmeans.house.gov/news.asp?formmode=release&id=906> (Accessed 6/22/09)

<sup>3</sup> “Reforming SGR and the Physician Payment System: Rewarding Primary Care, Coordination, and Efficiency,” United States House of Representatives, Ways and Means Committee, Press Release, June 15, 2009, <http://waysandmeans.house.gov/news.asp?formmode=release&id=906> (Accessed 6/22/09)

<sup>4</sup> “Administration’s Budget Seeks Changes in Medicare Physician Payment System,” By James Arvantes, American Academy of Family Physicians, May 27, 2009, <http://www.aafp.org/online/en/home/publications/news/news-now/government-medicine/20090527hhs-budget-sebelius.html> (Accessed 6/22/2009)

<sup>5</sup> “AMA Meeting: Reforming SGR tops Association’s Medicare Agenda for 2009,” By Doug Trapp, AM News, December 1, 2008, <http://www.ama-assn.org/amednews/2008/12/01/prsc1201.htm> (Accessed 6/23/09)



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