

June 2009 MedPAC Report

The Medicare Payment and Advisory Commission (MedPAC) released its annual report to Congress, *Improving Incentives in the Medicare Program*, on June 15, 2009.¹ Calling the Medicare program “*fiscally unsustainable*” in its current state, the report, focused on changing the payment structure for Medicare to incentivize physicians for value instead of the volume of services. Among its proposals, MedPAC discussed reformatting graduate medical education (GME) to ensure new doctors are able to balance cost and treatment, as well as creating Accountable Care Organizations (ACOs) that will ensure high quality and efficient care. The report also addressed the results of recent studies related to imaging utilization, biotechnology, and Medicare Advantage.²

MedPAC provided the results from several research studies it conducted throughout the past year related to medical imaging utilization. Initial results appeared to indicate that physicians who had the opportunity to receive a financial benefit from providing in-office imaging provided more procedures than physicians who did not have the opportunity to receive certain financial gains.³ Additionally, MedPAC demonstrated that an expedited FDA approval for biologics (drugs derived from living organisms) would save Medicare more than \$9 billion in the next ten years. The report discussed several pricing strategies Medicare could consider as well as presented a list of issues facing policymakers as they seek to expedite approval of these drugs.⁴ Further, MedPAC discussed that Medicare Advantage plans (Part C) cost Medicare an additional \$12 billion over and above what it would have cost those same members to be enrolled in traditional Medicare (Parts A and B). The report proposed reforming how Medicare Advantage plans are calculated by setting administrative benchmarks (i.e., a maximum amount to be paid each year) or through more competitive bidding processes than are currently being implemented.⁵

Notably, MedPAC promoted the concept of organizing physicians, surgeons, hospitals into ACOs. Under the proposal, each ACO would have at least 5,000 patients and would be given a pre-determined cost budget for each year. The spending target would be based on prior utilization and the number of patients in the ACO. If spending is below budget, members of the ACO receive a bonus payment. If spending is over budget, ACO

members risk reduced Medicare reimbursement. MedPAC proposed two versions of ACOs: voluntary and involuntary. In the voluntary ACO, members still charge Fee-for-Service rates but receive bonuses for staying below the set budget. Mandatory ACO members would also receive the bonus for being under budget but would have a penalty assessed against them for being over budget.⁶

Additionally, the report expressed concern that GME focuses on acute illness when it should focus on illness-prevention, patient-centered care, and financial stewardship. Results from MedPAC’s study on GME indicate that current curricula do not focus on topics addressed in healthcare delivery reform, such as care coordination, multi-disciplinary teamwork, health information technology, and cost awareness. MedPAC proposed that financial incentives for graduate medical education be directed to ensure an appropriate number of generalists and specialists, with more residencies in nonhospital settings.⁷

In his speech to the American Medical Association (AMA), President Obama stated that MedPAC’s recommendations could save over \$200 billion dollars, calling the rising costs of healthcare “*unsustainable*” and a “*threat to our economy*.”⁸ Although MedPAC’s report has received the President’s support, the report has been criticized for outlining many of the problems facing Medicare, but providing very few solutions to fix these problems.⁹ Given the nation’s (and the President’s) increasing focus on healthcare reform, this latest MedPAC report is anticipated to gain more attention than previous annual reports and potentially stimulate some form of healthcare reform.¹⁰

Because of MedPAC’s historical lack of power to implement its recommendations, efforts are underway to provide MedPAC with more authoritative power. In May 2009, Senator Rockefeller (D-WV), chair of the Senate Finance healthcare subcommittee, introduced the MedPAC Reform Act of 2009, a bill that would allow MedPAC to determine Medicare pay rates with a “*yes*” or “*no*” vote from Congress. It is hoped that doing so will eliminate the influence of special interest groups on payment reform and ensure that payments be based on the “*best and most objective evidence*.”¹¹ Rockefeller’s proposal is supported by President Obama who recently

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sent a letter to Senators Max Baucus and Ted Kennedy suggesting a similar proposal. If such legislative efforts are successful, there is a reasonable likelihood that the reform measures proposed in MedPAC's report may become a reality.¹²

¹ "Report to Congress: Improving Incentives in the Medicare Program," Medicare Payment Advisory Commission, June 2009, http://www.medpac.gov/documents/Jun09_EntireReport.pdf (Accessed 6/18/09)

² "Report to Congress: Improving Incentives in the Medicare Program," Medicare Payment Advisory Commission, June 2009, p. 81-129, 167-196, http://www.medpac.gov/documents/Jun09_EntireReport.pdf (Accessed 6/18/09)

³ "Report to Congress: Improving Incentives in the Medicare Program," Medicare Payment Advisory Commission, June 2009, p. 92-95, http://www.medpac.gov/documents/Jun09_EntireReport.pdf (Accessed 6/18/09)

⁴ "Report to Congress: Improving Incentives in the Medicare Program," Medicare Payment Advisory Commission, June 2009, p. 103-105, http://www.medpac.gov/documents/Jun09_EntireReport.pdf (Accessed 6/18/09)

⁵ "Report to Congress: Improving Incentives in the Medicare Program," Medicare Payment Advisory Commission, June 2009, http://www.medpac.gov/documents/Jun09_EntireReport.pdf (Accessed 6/18/09)

⁶ "Report to Congress: Improving Incentives in the Medicare

Program," Medicare Payment Advisory Commission, June 2009, http://www.medpac.gov/documents/Jun09_EntireReport.pdf (Accessed 6/18/09)

⁷ "Report to Congress: Improving Incentives in the Medicare Program," Medicare Payment Advisory Commission, June 2009, p. 19-29, http://www.medpac.gov/documents/Jun09_EntireReport.pdf (Accessed 6/18/09)

⁸ "President Obama's Speech to American Medical Association," President Obama, Retrieved in full text from USA Today, www.usatoday.com/news/washington/2009-06-15-obama-speech-text_N.htm (Accessed 6/18/09)

⁹ "MedPAC: Medicare Must Reinvent Its Payment Systems to Improve Quality, Save Money," By Christopher Weaver, Kaiser Health News, June 15, 2009, <http://www.kaiserhealthnews.org/Stories/2009/June/15/medpac.aspx> (Accessed 6/18/09)

¹⁰ "MedPAC: Medicare Must Reinvent Its Payment Systems to Improve Quality, Save Money," By Christopher Weaver, Kaiser Health News, June 15, 2009, <http://www.kaiserhealthnews.org/Stories/2009/June/15/medpac.aspx> (Accessed 6/18/09)

¹¹ "Press Release: Rockefeller Introduces Groundbreaking MedPAC Legislation," United States Senator, Jay Rockefeller, May 20, 2009, <http://rockefeller.senate.gov/press/record.cfm?id=313334> (Accessed 6/19/09)

¹² "If Congress Can't Stand the Heat, Could MedPAC?," By Philip Betbeze, Health Leaders Media, June 12, 2009



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