Editorial

A Thousand Cuts and a Piece of Cake

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Whenever I buy a birthday cake for a party, I always want to make sure there is enough cake for everyone attending the celebration. Unfortunately, in the next few years, everyone is looking to take a slice of metaphorical cake from the healthcare system and it is really not clear how much will be left. I certainly would not count on any flowers or frosting. I generally do not like to be negative, especially around the holiday season, but before you go out and buy those presents, there is a lot to consider. The following issues are on the table.

1. The US Department of Health and Human Services Centers for Medicare and Medicaid Services has estimated that, under current legislation, Medicare physician reimbursement will be cut by 29.5% in 2012. The cut is mandated by the sustainable growth rate (SGR), which ties physician reimbursement to the gross domestic product. Every year since 2002 the SGR has called for cuts in pay, but since 2003, Congress has voted at the last minute to push those cuts down the road.[1] Given the issues surrounding the national debt and healthcare reform, it is unclear how physician reimbursement will be addressed this year. Many professional organizations, including the American Academy of Dermatology Association, have continually called for repeal of the SGR and its replacement with a more stable payment system.[2]

2. On October 6, the Medicare Payment Advisory Commission (MedPAC), an independent congressional agency, voted to finalize draft recommendations to replace the Medicare SGR formula. The draft included updates that would freeze payment rates for primary care services and cut payment rates for specialists nearly 18% during the next 3 years, followed by a 7-year payment freeze.[2]

The first recommendation of MedPAC garnered the most interest in the press. The group recommended that Congress should repeal the SGR system and replace it with a 10-year path of statutory fee schedule updates. This path is comprised of a freeze in current payment levels for primary care; for all other services, annual payment reductions of 5.9% for 3 years would be followed by a freeze.[2]

In a letter to MedPAC, the American Academy of Dermatology Association firmly opposed the first recommendation and urged the commission to refrain from proposing a fix by cutting payment for specialty physicians, noting that if the proposal is implemented, the ability for specialists to serve the Medicare population would be eroded in the future, which would exacerbate problems with access to care.[2]

3. I noted the national debt earlier. Interestingly, the success or failure of deficit reduction directly affects Medicare reimbursements. The legislation to extend the national debt ceiling and reduce the federal deficit that passed the House of Representatives on August 1 incorporates a trigger process that could automatically cut Medicare provider payments.[3]

Under the legislation, discretionary spending caps that achieve nearly $1 trillion in savings over the next 10 years will be imposed and the debt ceiling will be raised by $900 billion.[3] This fall a joint bipartisan congressional committee will attempt to avert a future default by recommending additional deficit reduction proposals of $1.5 trillion over the next 10 years. If the joint committee fails to agree on $1.5 trillion in deficit reduction or if Congress fails to approve the proposed $1.5 trillion in deficit reduction on an up-or-down vote, a trigger would result in an across-the-board sequestration of funds, including cuts in discretionary and defense spending and in Medicare payments that would result in an additional 2% pay cut for physicians, home health practitioners, and other healthcare providers on top of double-digit Medicare reductions already slated for 2012. Social Security, Medicaid, and other low-income programs as well as Medicare benefits are exempt from the trigger mechanism that enforces automatic cuts.[3]

Given our current political environment, there is a good chance that these triggers will be activated.

Now for the more straightforward issues.

4. *E-prescribing Incentives/Penalties*—The bonus is 1% in 2011 and 2012, and 0.5% in 2013; the

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incentive disappears the following year. On the flip side, clinicians who do not report at least 10 electronic prescriptions on Medicare claims during the first 6 months of 2011 will experience a 1% pay cut in 2012 that increases to 1.5% in 2013 and 2% in 2014 with continued noncompliance.[4]

5. *Electronic Health Records Incentives/Penalties*—Authorized under the American Recovery and Reinvestment Act of 2009, the electronic health record (EHR) incentive program is expected to stimulate interest in the adoption of EHRs by eligible physicians and hospitals through payments of up to $44,000 over 5 years under Medicare, or up to $63,750 over 6 years under Medicaid. Providers will need to meet several requirements to be eligible for the incentive funds, including use of a certified EHR system and classification as a meaningful user as outlined in the final rule.[5]

Starting in 2015, dermatologists and other physicians will risk reduced Medicare payments if they do not fulfill these requirements.[5] A 1% reduction in Medicare reimbursements will apply to physicians who either have not adopted a certified EHR system or cannot demonstrate meaningful use by 2015. The deduction rate increases to 2%, 3%, and 4% in 2016, 2017, and 2018, respectively.[5]

I think I will stop here. I am sure there is more to come, but these issues are definitely enough for the moment. The practice of medicine is certainly in flux, and there are certainly a lot of moving pieces. Given the challenges ahead, I am not sure how much of our cake will remain. But I am thinking of taking whatever I have left now and locking it in the freezer.

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