MedPAC Recommends 1.1% Fee Increase for 2009

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WASHINGTON — The Medicare Payment Advisory Commission has voted to recommend that Congress increase the fees that physicians receive from Medicare by 1.1% in 2009.

The recommendation will be included in MedPAC's final report to Congress next month but was discussed and voted on at a panel meeting in January.

The panel believes that physician fees should not be cut, said MedPAC Chairman Glenn M. Hackbarth. "That's a very important message for us to convey to Congress."

Before the vote, Mr. Hackbarth said the commission struggled each year to come up with the right numbers.

"We try to zero in on the most appropriate update," he said, adding that information on cost reports, physicians' access to capital, and beneficiaries' access to physician services all go into that calculation.

The panel's recommendation should not be taken to mean that MedPAC believes that everything is fine with the reimbursement system.

MedPAC staff member John Richardson told commissioners that it appears that most physicians continue to accept new Medicare patients, but there has been an increase in beneficiaries who said they had trouble finding a new primary care physician, according to a MedPAC survey.

In 2006, 24% said they had trouble; by 2007, 30% of beneficiaries reported difficulty.

Medicare fees also are staying fairly steady as a percentage of private insurance fees, said Mr. Richardson. In 2005, Medicare paid 83% of what private insurers did, and in 2006, that had slipped slightly to 81%.

In December, Congress passed and the President signed a last-minute fix to the 2008 fee schedule, granting a 6-month, 0.5% increase for 2008. The fee increase, which included incentives for rural physicians, will cost about $3.1 billion, Mr. Richardson said.

Under current law, Medicare will cut physician fees by 5.5% in 2009. But when fees are renegotiated in July, the 2009 update could change.

MedPAC recommended that fees be increased in 2009 by the projected change in input prices (2.6%) minus the expected growth in productivity (1.5%), for a 1.1% increase. The cost: about $2 billion.

The commission projected that spending would increase by another $8 billion out to 2011.

The commission also urged Congress to set up a system to measure and report physician resource use.

The reporting should be confidential for 2 years.

After that, the Centers for Medicare and Medicaid Services should establish a new payment system that takes into account both resource use and quality measures.

Dr. Ronald D. Castellanos, a physician in a group practice in Port Charlotte, Fla. and a MedPAC commissioner, said a recommendation for an increase was better than a cut, but that the 1.1% "doesn't keep up with our costs."

Dr. Castellanos said that physicians would not look happily on the recommended update.

"Quite honestly, it's insulting," he said. "The update is a blunt tool for trying to constrain costs," said Dr. Castellanos, who voted against the update.

Dr. Nicholas Wolter, a commissioner who practices at a clinic in Billings, Mont., also said that he was not comfortable with the recommendation.

"Unless we start focusing on other tactics, we're not going to get a handle on costs," Dr. Wolter commented.

Mr. Hackbarth noted that the panel's recommendation should not be taken to mean that the commission believes that everything is fine with the reimbursement system.

But, he added, the problems with Medicare threatened beneficiaries, taxpayers, and even his children's future.

Solutions should not be focused only on physicians, said Mr. Hackbarth, adding, "it's way bigger than that." ■