

# MedPac Ponders Payment Formula Alternatives

BY ALICIA AULT

FROM A MEETING OF THE MEDICARE PAYMENT ADVISORY COMMISSION

WASHINGTON – Multiple options exist to permanently fix the Medicare Sustainable Growth Rate formula, but each has its cost to physicians, patients, and the program, according to staff analysts for the Medicare Payment Advisory Commission.

Two options seemed to pique commissioners' interest: exempting certain providers (such as accountable care organizations) from the current SGR target but holding them accountable for other targets, and using penalties for physicians who are outliers in terms of resource use.

In the past, MedPAC has recommended setting target growth rates – and payment rates – according to particular service categories; the commission is looking in this direction again. For example, separate categories could be established for primary care, imaging, minor procedures, and anesthesia, allowing rates to more closely track volume of services. But the system might also provide incentives for physicians to order higher-volume (and more highly paid) services, according to Kevin Hayes, another MedPAC analyst.

Every year since 2002, Medicare has failed to meet the SGR targets, causing physician pay, by law, to be reduced. However, pretty much every year, and more recently, two or three times a year, Congress has stepped in to legislate a way to avoid those cuts. Cumulatively, the avoided cuts are becoming an ever-growing debt being carried on the federal ledger.

The White House's fiscal 2012 budget propos to reduce that debt over the next 10 years, at a cost of \$370 billion.

But the administration has figured out only how to pay for that fix for the first 2 years. The reality is that there's a declining pool of Medicare-specific offsets – required by law – to pay for fixing the SGR, Glenn Hackbarth, MedPAC chairman, said at the meeting.

"We're in a deteriorating situation here; we're spiraling down," said Mr. Hackbarth. "This isn't going to get better; it's going to get worse."

Mr. Hackbarth said that the time might be right to work out a "quid pro quo" with physicians: an end to the yearly exercise to avert the SGR cuts in exchange for a payment system that has volume constraints and rewards efficiency and improved quality, or, alternatively penalizes those who fail to meet such targets. ■

# HIMSS Sets 2011-2012 Health IT Policy Priorities

BY NASEEM S. MILLER

Bi-partisan support of health information technology is urgently needed so that incentives aimed at encouraging physicians and hospitals to adopt electronic health records systems remain in place, according to a report by the Healthcare Information & Management Systems Society.

It is yet to be seen whether the federal stimulus funds for health IT will be affected during the current congressional budget battles.

Nevertheless, the report, 2011-2012 Public Policy Principles, encourages continued progress toward implementation of the "meaningful use" criteria, which enable physicians to receive incentives tied to Medicare reimbursements if their adoption of EHR systems meets the criteria. The provision is part of the Health Information Technology for Economic and Clinical Health (HITECH) Act, enacted as part of the American Recovery and Reinvestment Act of 2009.

"The HITECH Act is bringing the power of electronic health records to our health care system. However, these new initiatives should not create a new form of 'digital divide' and our goal is to make sure that all constituencies benefit from these efforts," the organization wrote in

its annual report. The report urges policy makers to make the following their top priority:

► Supporting the National Quality Forum's National Priorities Partnership, which aims to create a consensus on standard for measuring performance in health care.

► Ensuring a consolidated communications tool and comprehensive road map for meaningful use.

► Defining each new meaningful use stage at least 18 months before the beginning of the next stage.

► Developing an open and transparent EHR certification criteria process.

► Expanding and making permanent the current Stark exemptions and anti-kickback safe harbors for EHR users.

► Eliminating the HIPAA Business Associate Agreement requirement.

► Providing incentives to establish Health IT Action Zones that demonstrate effective health IT adoption practices by providers who care for patients in medically underserved populations.

► Aligning federal policy to facilitate electronic business processes.

In his proposed budget, President Obama has laid out a plan to pay for the first 2 years of the SGR so that the physician reimbursement rates won't be cut. His plan is to fix SGR in 10 years. ■

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