

CMS Proposes 9.9% Cut in Medicare Payments

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Physicians will face a nearly 10% cut in Medicare payments in 2008 if Congress does not act to reverse it in the next few months.

Officials at the Centers for Medicare and Medicaid Services published a proposed rule outlining the projected 9.9% payment cut and other policy changes under the Medicare Physician Fee Schedule in the July 12 Federal Register; the agency will accept comments until Aug. 31. The final fee schedule rule will be published later this year.

A 9.9% cut would have devastating consequences for physicians and patients alike but is unlikely to be carried out, physicians said in interviews. Instead, Congress is likely to follow the pattern of the last 5 years and provide a 1- or 2-year temporary reprieve.

By law, CMS officials must adjust physician payments according to the sustainable growth rate (SGR) formula, which calculates physician payments based in part on the gross domestic product. The major medical specialty societies have been lobbying for years to change the formula, which they say does not account for their rising practice costs.

A permanent fix is unlikely to come this year or even before the 2008 presidential election, said Dr. Rick Kellerman, president of the American Academy of Family Physicians. However, there is an understanding among most members of Congress that significant payment cuts are not realistic and some type of temporary fix must be passed this year, he said.

"Physicians are going to have to gear up to encourage Congress to avert the cut," Dr. Kellerman said.

Dr. Bruce Sigsbee, a neurologist and a member of the Medical Economics and Management Committee of the American Academy of Neurology, said that if the cut were to go through as projected, the impact would be significant. For example, for neurologists, who operate on fairly lean budgets, the approximately 10% Medicare cut would translate into about a 20% cut in take-home compensation. That presents a real risk of reduced services, he said.

Even before reduced access to physicians began to occur under the proposed cuts, quality and safety issues would develop as physicians struggled to do more with less, said Dr. Richard Hellman, president of the American Association of Clinical Endocrinologists. Quality and safety would suffer as physicians tried to see patients faster and refer complex conditions earlier, he predicted.

The projected cuts would also threaten to derail the voluntary CMS' Physician Quality Reporting Initiative (PQRI) that began July 1, Dr. Hellman said.

The PQRI program gives physicians a chance to earn up to a 1.5% bonus payment on all of their allowed Medicare charges if they report on certain quality indicators. CMS officials have touted the program as the first step in aligning payments with quality.

But a significant payment cut could

hamper those efforts, Dr. Hellman said, noting that physicians are unlikely to put the effort into a time-consuming, resource-intensive program where they can earn a 1.5% bonus when facing a 9.9% payment cut at the same time.

The proposed rule also addresses the continuance of PQRI in 2008, and outlines new quality measures for next year. CMS officials are also considering the feasibility of accepting clinical data from electronic health records. The agency will

weigh whether to accept data on a limited number of ambulatory care PQRI measures for which data may also be submitted under the current Doctors Office Quality Information Technology Project (DOQ-IT).

In 2008, submission through an electronic health record would be an alternative to the current claims-based reporting of data.

CMS officials are proposing to fund the bonus payments for the 2008 PQRI pro-

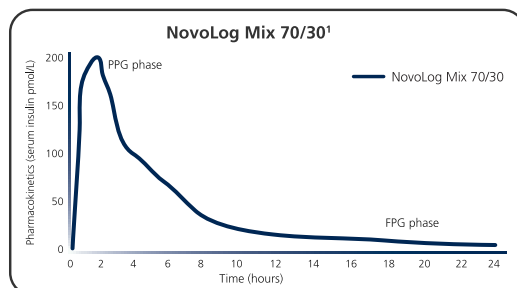
gram by using \$1.35 billion provided by Congress as part of the Physician Assistance and Quality Initiative Fund. In the proposed rule, CMS stated that the bonus payments were likely to be about 1.5% of allowed Medicare charges, not to exceed 2%.

That decision was criticized by the American Medical Association, which said the \$1.35 billion should be used to reduce the projected 2008 physician pay cut. CMS estimates the \$1.35 billion would reduce the projected cut by about 2%. ■

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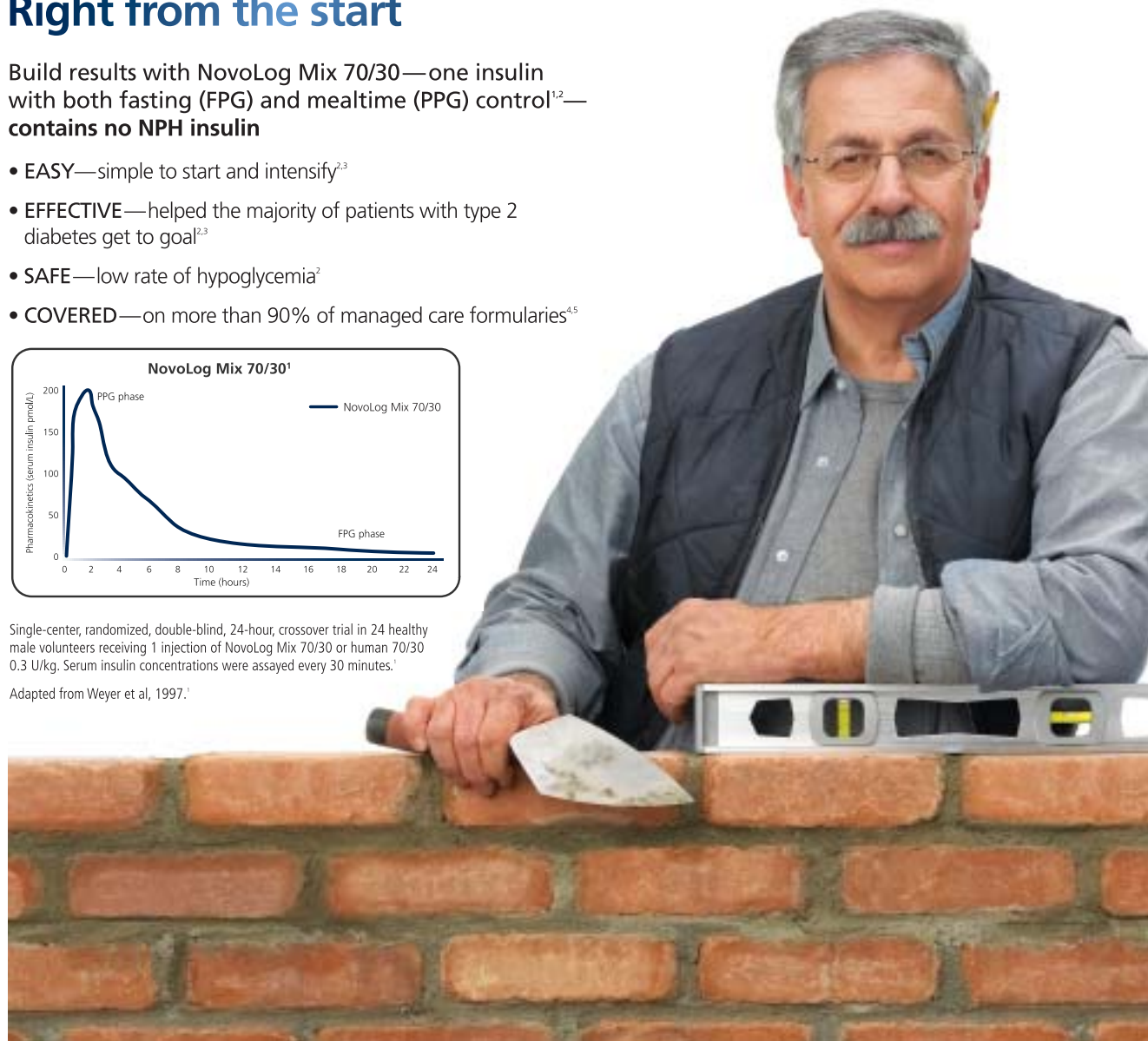
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