

# Panel Endorses 2.7% Medicare Payment Increase

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WASHINGTON — The Centers for Medicare and Medicaid Services should not institute the 4.3% decrease proposed in the 2006 physician fee schedule, a federal advisory panel recommended.

As it works to fix the sustainable growth rate, CMS should, instead, adopt the Medicare Payment Advisory Commission's recent recommendation to increase payments by 2.7% to keep pace with the cost of care, the Practicing Physicians Advisory Council recommended.

The council meets quarterly to advise the Department of Health and Human Services on proposed changes in Medicare regulations and carrier manual instructions related to physicians' services.

MedPAC advises Congress in a similar manner.

Physician reimbursements under Medicare will be cut 26% over the next 6

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years unless the sustainable growth rate (SGR) formula is changed. Although the PPAC recommendation calls on CMS to take action, only Congress has the statutory authority to fix the formula.

The average physician facing these cuts "is stuck," Ronald Castellanos, M.D., PPAC chairman, told CMS officials who presented a summary of the proposed fee schedule at the meeting. Reduced Medicare payments have forced some physicians to do ancillary procedures in their offices to make up for the losses, he said.

Leroy Sprang, M.D., an ob.gyn. who was recently named to the panel, said he's seen at least a dozen ob.gyns. in his area of Evanston, Ill., leave the profession due to the pressures of medical malpractice combined with reduced Medicare payments. While they don't deal with older patients as much as do other primary care physicians, some ob.gyn. practices have stopped seeing Medicare patients, he said.

In another avenue for addressing low physician reimbursement, the PPAC asked CMS for a report on whether Medicare Part B drugs could be removed retrospectively, using an administrative methodology. The council asked that the report be ready in time for its December meeting.

"We've been talking about this for the past 2 years," said PPAC member Gregory Przybylski, M.D. The question is whether CMS could do this administratively by a certain date, he said.

Testifying before the panel, Ardis Hoven, M.D., who spoke on behalf of the American Medical Association, said the AMA was confident of CMS' authority to remove the drugs. "Drugs are not paid under the Medicare physician fee schedule, and it is illogical to include them in calculating the SGR," Dr. Hoven said in her

testimony. If CMS adopted a revised definition of "physicians' services" that excludes drugs, it could revise its SGR calculations going back to 1996 using its revised definition, although the revisions would affect payment updates in future years, she said.

Leslie Norwalk, CMS deputy administrator, conceded that Congress needed to institute a more rational approach to physician payments.

Addressing other possible options, HHS'

Office of Inspector General may take another look at "gainsharing," an arrangement where physicians could suggest ways to improve care, and receive a portion of the cost savings achieved when their ideas are implemented. "The OIG has permitted physicians to engage in this, but only with respect to supplies, not specifically to medical savings," Ms. Norwalk said.

Congress has looked at some ideas where physicians could share in hospital savings, for instance, "without it being a

kickback violation," she told the panel.

CMS also has the ability to change payment systems statutorily through its practice group demonstration projects, Ms. Norwalk said. Several projects are currently testing pay-for-performance systems.

For the first time, Congress, MedPAC, CMS, PPAC, and all of the medical specialties are in agreement about something: that the SGR is flawed, Dr. Castellanos said. For that reason, "maybe something constructive can come out of this." ■



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