Assessing payment adequacy and updating payments: Physician and other health professional services

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MEDPAC

Background: The Medicare Physician Fee Schedule

- In 2018, Medicare paid $70.5 billion for fee schedule services to about a million clinicians
- Fee schedule includes billing codes for over 7,000 discrete services
- Current law: no update in 2021 but clinicians can receive
  - +/- 7% adjustment if in MIPS, plus a bonus for “exceptional” performance
  - 5% incentive payment if in an advanced alternative payment model

Note: MIPS (Merit-based Incentive Payment System). Data are preliminary and subject to change.

How do we assess the adequacy of Medicare's fee schedule payments?

Beneficiaries' access to care

Quality of care

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Medicare payments and providers' costs

How do we assess the adequacy of Medicare's fee schedule payments?

Beneficiaries' access to care

❶ Beneficiary-reported access to care

- Beneficiary focus groups
- Commission-sponsored survey
- Medicare Current Beneficiary Survey

❷ Supply of clinicians

❸ Number of clinician encounters per beneficiary

Most beneficiaries report good access to care

- Most beneficiaries report no problem obtaining a doctor's appointment or finding a new physician in 2019
- Beneficiaries' reported access continues to be similar to or better than privately insured individuals ages 50-64
- Similar to individuals with private insurance, minority beneficiaries reported more difficulty accessing care
- Minimal differences in reported access between rural and urban beneficiaries

Sources: MedPAC-sponsored telephone survey, beneficiary focus groups, and Medicare Current Beneficiary Survey.
Note: Data are preliminary and subject to change.

The supply of clinicians continues to grow

- From 2017 to 2018, growth in the number of clinicians billing the fee schedule (3.2%) outpaced beneficiary enrollment growth (2.3%)
- Growth rates varied by the type and specialty of clinician
  - Rapid growth among APRNs/PAs
  - Slight decline in number of primary care physicians
- Nearly all clinicians who billed the fee schedule in 2018 accepted Medicare's payment rates as payment in full

Sources: MedPAC analysis of Medicare claims data and Medicare Trustees report.
Note: APRN (advanced practice registered nurse), PA (physician assistant). Data are preliminary and subject to change.

Number of encounters per beneficiary is growing

- Number of encounters per beneficiary with clinicians grew by an average of 1% per year from 2013 to 2018
- In 2018, nearly 60% of encounters involved a specialist physician
- Growth in encounters varied by type and specialty of clinician
  - e.g., from 2013 to 2018, encounters per beneficiary with primary care physicians decreased by an average of 2.9% per year while encounters with APRNs/PA increased rapidly

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Sources: MedPAC analysis of Medicare claims data and Medicare Trustees report.
Note: APRN (advanced practice registered nurse), PA (physician assistant). Data are preliminary and subject to change.

How do we assess the adequacy of Medicare's fee schedule payments?

Quality of care

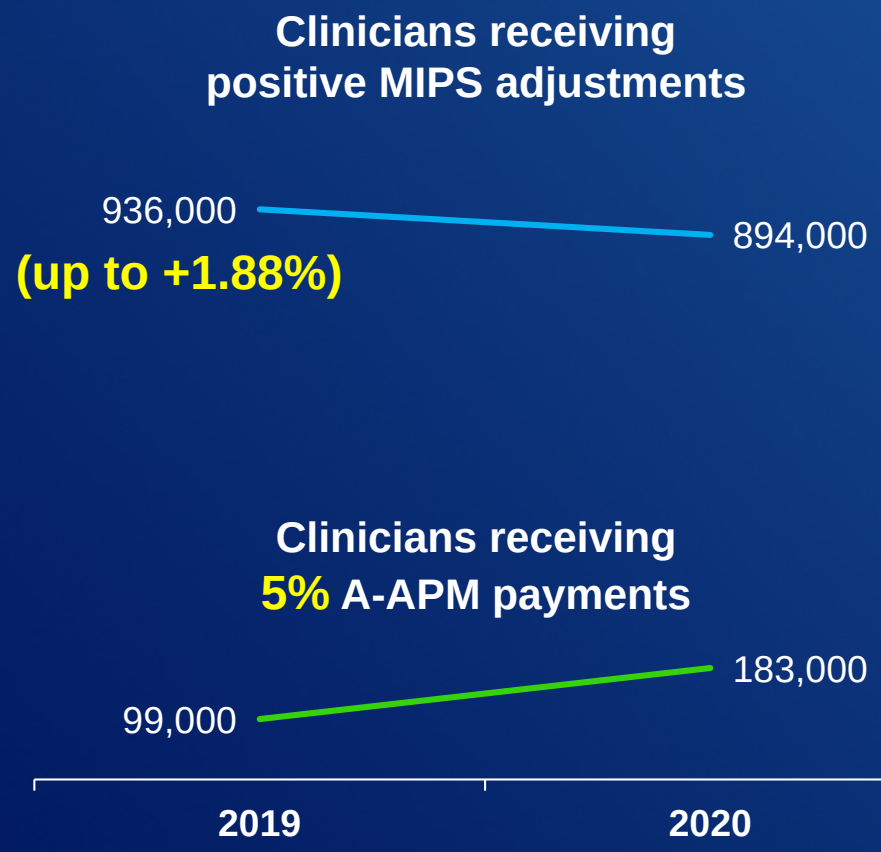
❶ Medicare's approach to paying clinicians for quality

- MIPS payment adjustments
- A-APM bonuses

❷ MedPAC's assessment of quality

- Patient ratings of care quality
- Ambulatory care-sensitive hospital use

Most clinicians receive positive MIPS payment adjustments or 5% A-APM incentive payments



- MedPAC recommended eliminating MIPS (March 2018)
- CMS plans to use more outcome measures in MIPS starting in 2021

Source: CMS's publicly reported information on Quality Payment Program participation.
Note: MIPS (Merit-based Incentive Payment System); A-APM (advanced alternative payment model).

Population-based measures: Quality of ambulatory care is mixed

- CAHPS patient experience scores remain stable
  - Percent of FFS beneficiaries rating their care quality a 9 or 10:
    - 2014: 86%
    - 2018: 85%
- Geographic variation in rates of ambulatory care sensitive hospital use signals opportunities to improve
  - Rates of ambulatory care-sensitive hospitalizations and ED visits are about twice as high in some hospital service areas than others

Sources: FFS CAHPS mean scores publicly reported by CMS; MedPAC analysis of 2018 Medicare FFS claims data.
Note: Data are preliminary and subject to change. ED (emergency department), CAHPS (Consumer Assessment of Health Providers and Systems).

How do we assess the adequacy of Medicare's fee schedule payments?

1. Medicare payments per beneficiary
2. Clinicians' input costs
3. Ratio of commercial payment rates to Medicare's payment rates
4. Physician compensation

Medicare payments and input costs are growing

- Allowed charges (program payments + beneficiary cost sharing) per beneficiary grew 2.3% from 2017-2018
  - Higher than the average annual growth from 2013-2017 (1.1%)
- Growth in allowed charges varied by type of service in 2018
  - Ranging from 1.9% for E&M services to 3.5% for other procedures
- Increase in Medicare Economic Index (measure of input costs)
  - 1.7% in 2018
  - 2.6% in 2021 (projected)

Note: E&M (evaluation and management). Data are preliminary and subject to change.

Commercial payment rates were higher than Medicare payment rates for clinician services

- Commercial PPO rates were 135% of Medicare rates in 2018
  - 134% in 2017
  - 122% in 2011
- Ratio varied by type of service in 2018
  - e.g., 128% for E&M office visits, 169% for coronary artery surgery
- Growth in commercial prices could be due to greater consolidation of physician practices, which gives physicians more negotiating power with private plans

Note: PPO (preferred provider organization). Data are preliminary and subject to change.

Median physician compensation from all payers grew by 18.6% from 2014 to 2018

- Median compensation (all specialties) was $302,000 in 2018
  - Compensation much lower for primary care ($243,000) than radiology ($448,000) and nonsurgical, procedural specialties ($428,000)
- Physician compensation reflects Medicare's fee schedule because many insurers use Medicare's RVUs
- Thus, compensation probably reflects underpricing of ambulatory E&M visits
- CMS will increase work RVUs for E&M office visits in 2021
- But CMS needs to do more to improve accuracy of fee schedule

Source: SullivanCotter's Physician Compensation and Productivity Survey, 2019.
Note: RVUs (relative value units), E&M (evaluation and management). Data are preliminary and subject to change.

Our assessment of the adequacy of Medicare's fee schedule payments

Beneficiaries' access to care

- ✓ No trouble getting appointments
- ✓ Access same or better than privately-insured
- ✓ Number of clinicians increasing
- ✓ Clinician encounters per beneficiary increasing

POSITIVE

Quality of care

- ✓ Patient satisfaction with care is consistent with prior years
- × Wide variation in rates of ambulatory care-sensitive hospitalizations and ED visits

MIXED

Medicare payments and providers' costs

- ✓ Payments per beneficiary increasing
  - MEI increasing
  - Commercial payment rates increasing
- ✓ Physician compensation increasing

POSITIVE