

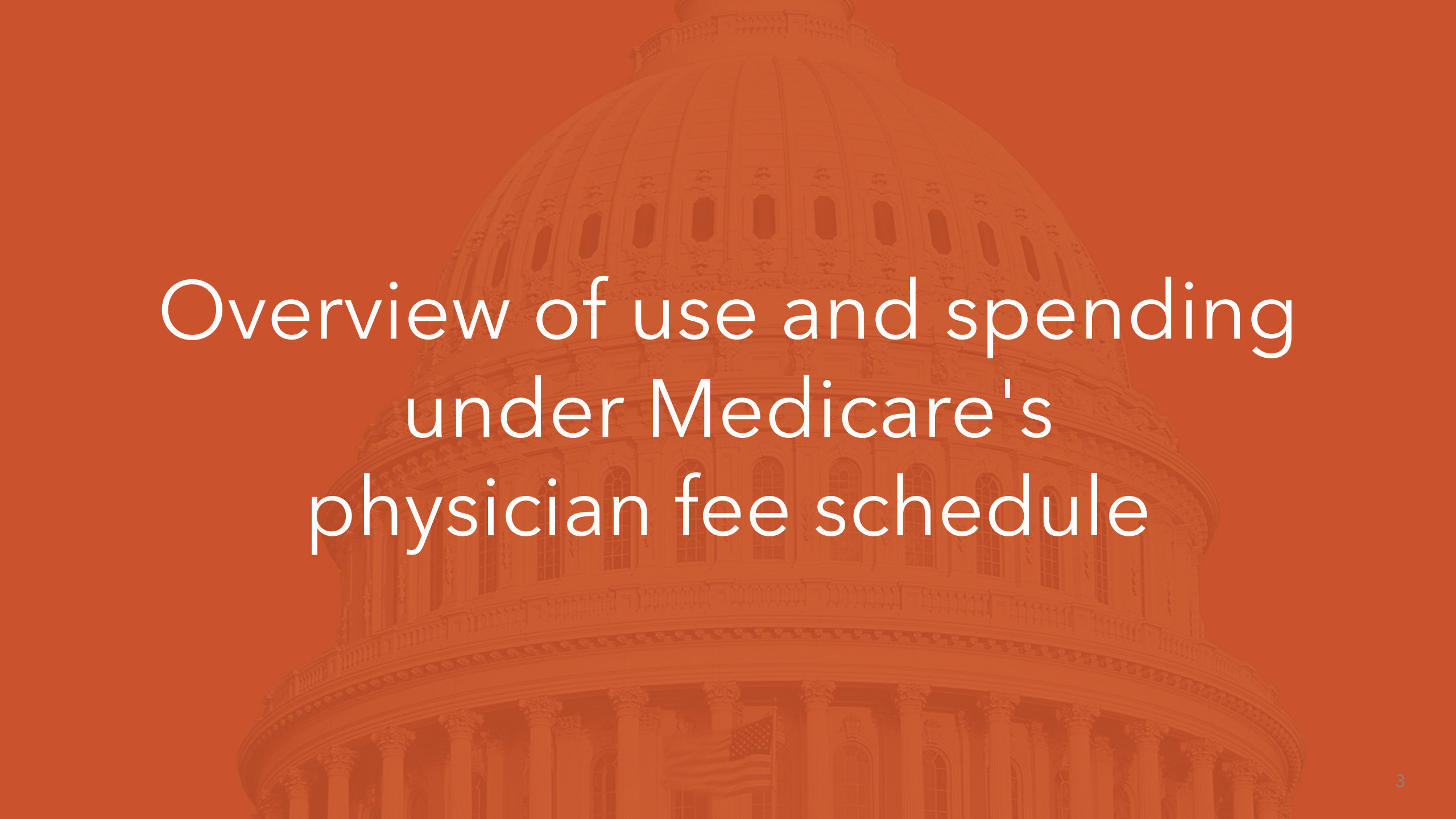
Assessing payment adequacy and updating payments: Physician and other health professional services

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December 12, 2024





Presentation roadmap

- 1 Overview of use and spending under Medicare's physician fee schedule
- 2 Beneficiaries' access to clinician care
- 3 Quality of clinician care
- 4 Clinicians' revenues and costs
- 5 Chair's draft recommendation
- 6 Discussion



Overview of use and spending under Medicare's physician fee schedule

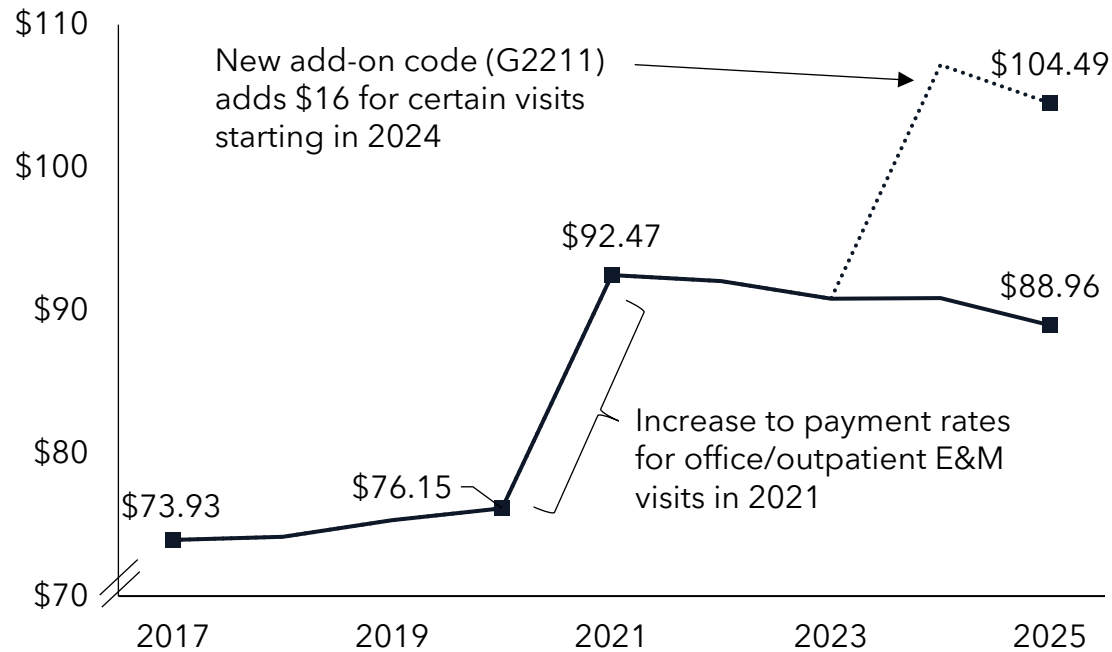
Overview of use and spending under Medicare's physician fee schedule, 2023

	Clinicians	1.4 million
	Encounters	666 million
	Patients	28.2 million
	Payments from Medicare and FFS beneficiaries	\$92.4 billion

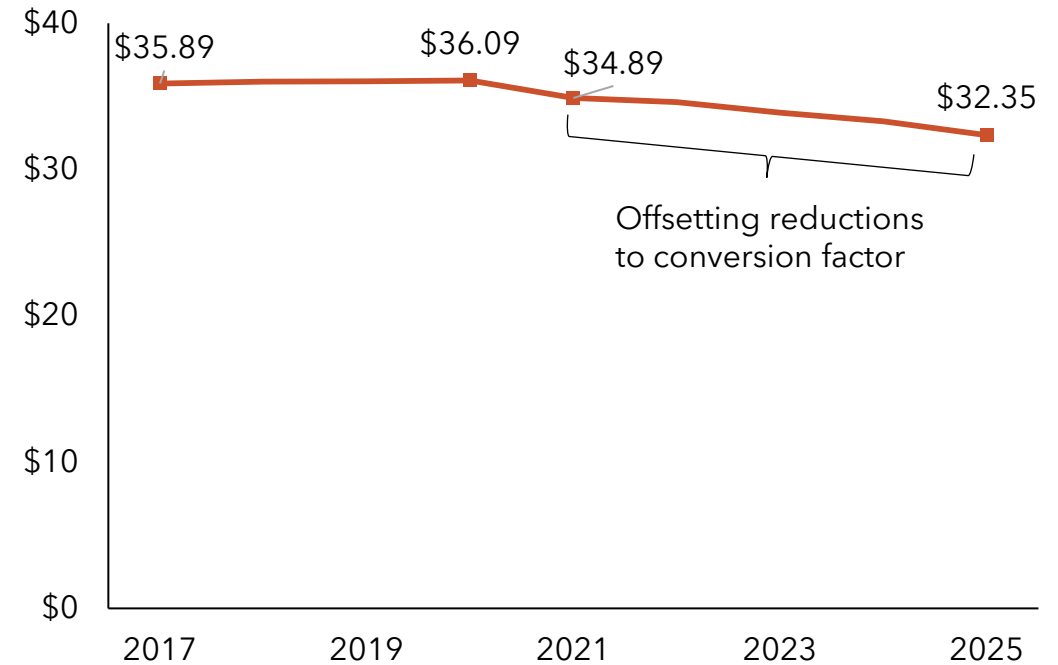
Note: FFS (fee-for-service). An encounter represents an interaction between a beneficiary and clinician for which one or more fee schedule services were billed.
Source: MedPAC analysis of Medicare claims data.

Recent increases to payment rates for office visits have required offsetting decreases to the conversion factor

Payment rate for a sample E&M visit (CPT code 99213)



Conversion factor (used to calculate payment rates)



Note: E&M (evaluation and management), CPT (Current Procedural Terminology). The “office/outpatient E&M visit” code set refers to CPT codes 99202-99205 (new patients) and 99211-99215 (established patients). CPT code 99213 refers to a visit involving a low level of medical decision-making; if time is used for code selection, 20-29 minutes are spent on the date of the encounter. Payment rates shown for 99213 are nonfacility national payment rates. G2211 is an add-on code available to be billed with office/outpatient E&M visit codes when a clinician has a longitudinal relationship with a patient and meets other requirements.

Source: CMS’s “Search the physician fee schedule” (billing code look-up website), <https://www.cms.gov/medicare/physician-fee-schedule/search/overview>.

Payment adequacy framework: Physician and other health professional services



Beneficiaries' access to care

- Patient experiences in surveys and focus groups
- Share of clinicians accepting Medicare vs. private insurance
- Supply of clinicians
- Volume of clinician encounters



Quality of care

- Ambulatory care-sensitive hospital use
- Patient experience scores



Access to capital

- Not used to assess payment adequacy for physician and other health professional services due to data limitations



Clinicians' revenues and costs

- Spending per FFS Medicare beneficiary
- Ratio of private insurance payment rates to FFS Medicare's payment rates
- Clinicians' all-payer compensation
- Growth in clinicians' input costs

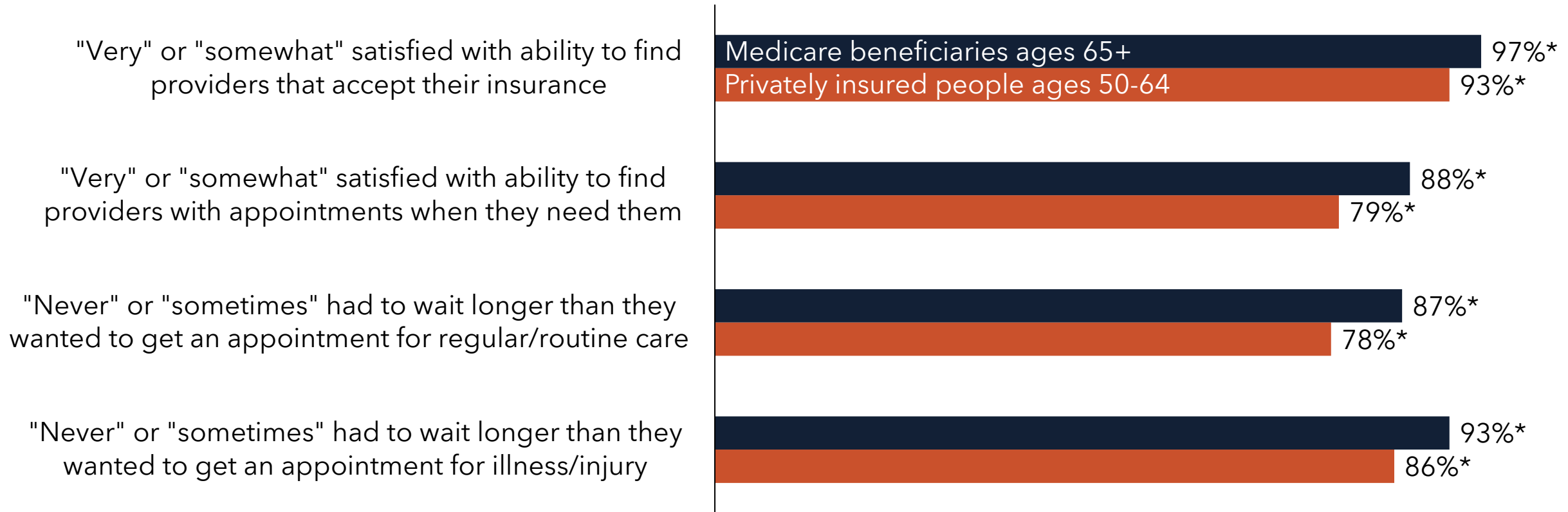
Update recommendation for physician fee schedule payment rates for 2026

Note: FFS (fee-for-service).



Access to care

Medicare beneficiaries' access to care is comparable with, or in most cases better than, privately insured people's, 2024



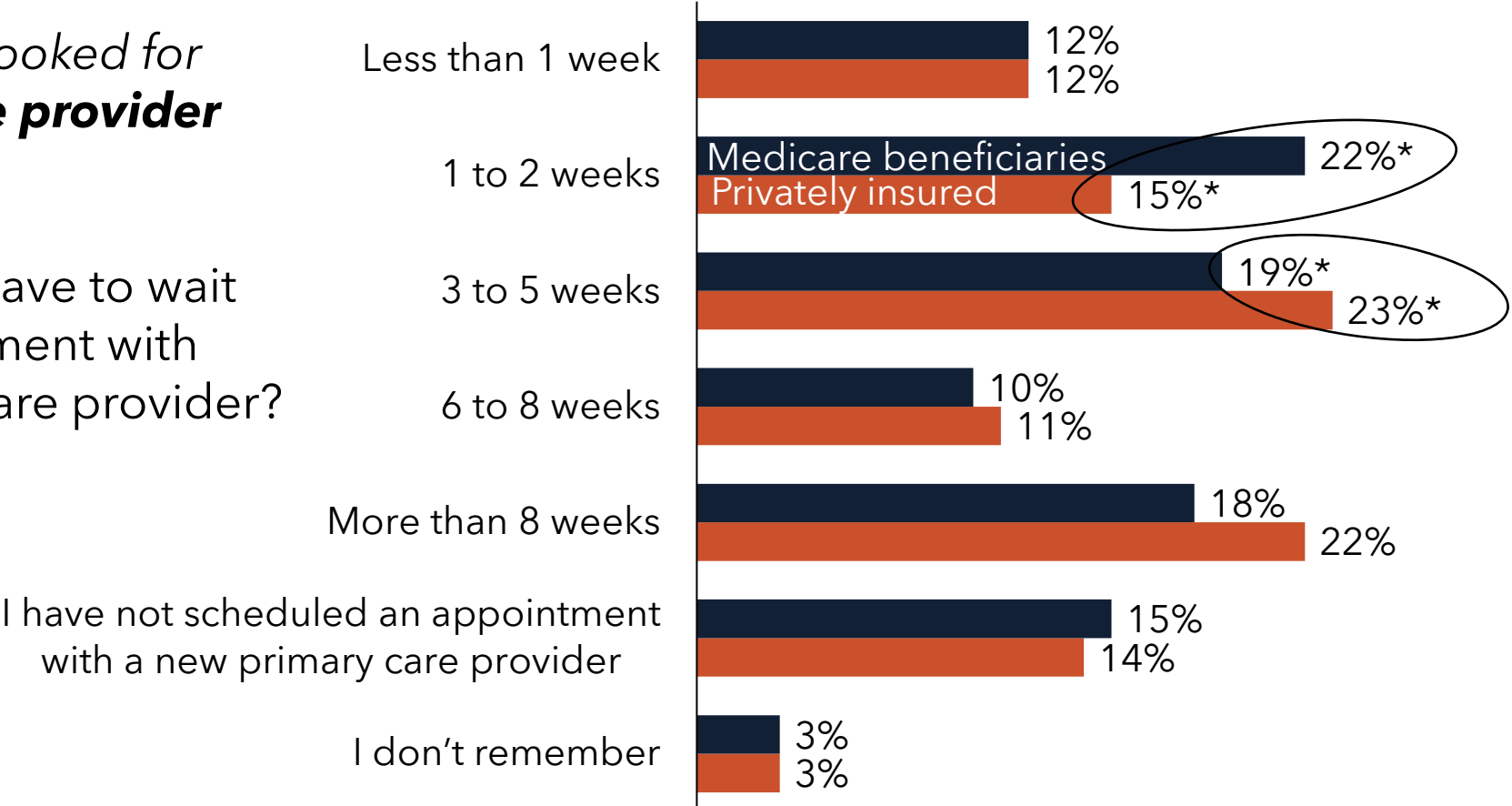
Note: *Statistically significant difference between Medicare and private insurance groups (at a 95 percent confidence level). Satisfaction rates are among respondents who received any care in the past 12 months. Shares reporting how often they had to wait for appointments are among respondents who needed a given type of appointment in the past 12 months. Survey sample sizes are 4,926 Medicare beneficiaries ages 65 and over (including fee-for-service and Medicare Advantage enrollees) and 5,200 privately insured people ages 50 to 64; sample sizes for particular questions varied. Results are weighted to be nationally representative. Surveys were completed by mail or online and in English or Spanish.

Source: MedPAC's access-to-care survey conducted in the summer of 2024.

Medicare beneficiaries' waits for an appointment with a new primary care provider comparable with, or better than, privately insured people's, 2024

Among those who looked for a **new primary care provider** in the past year...

How long did you have to wait to have an appointment with your new primary care provider?



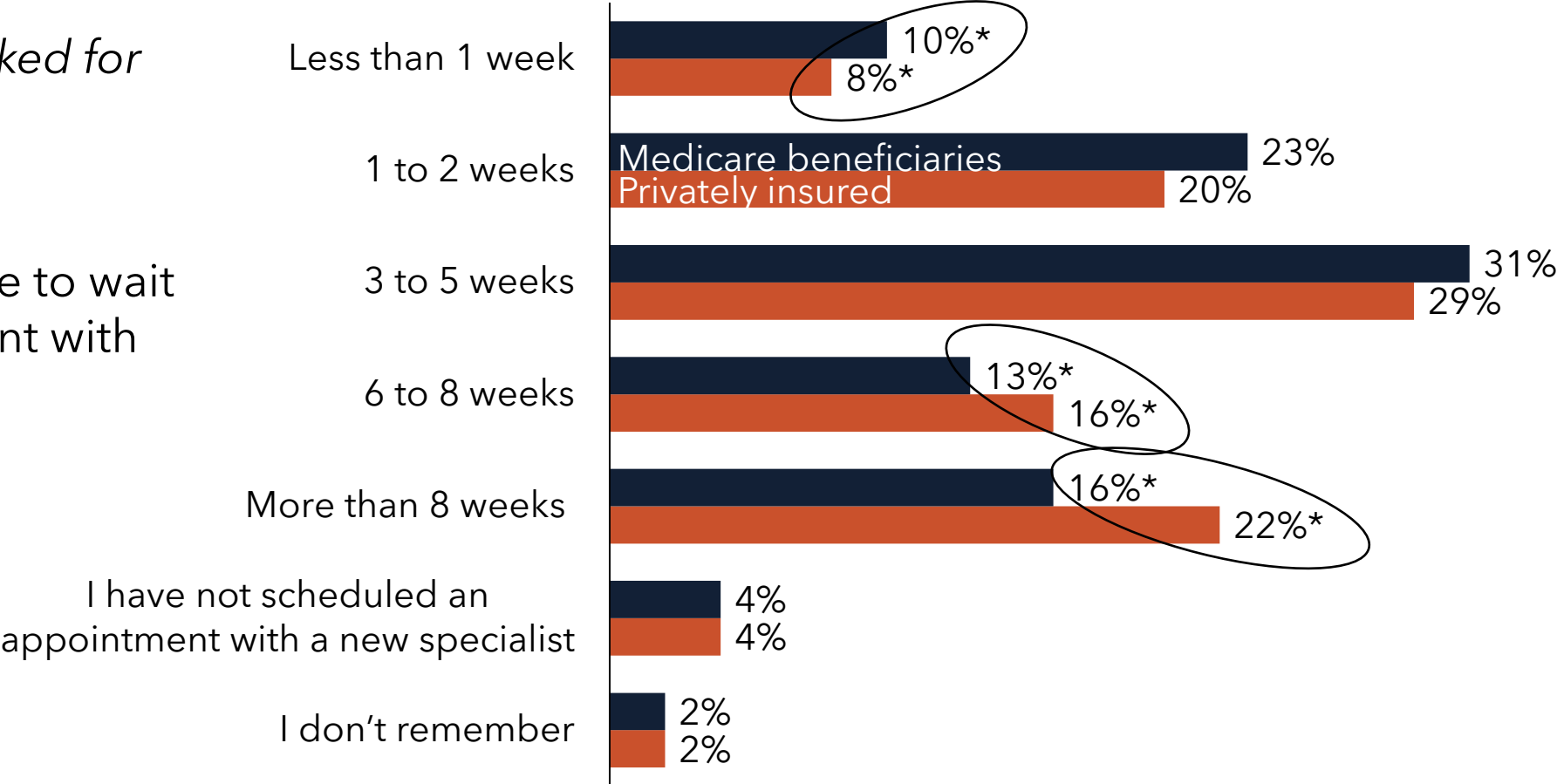
Note: *Statistically significant difference between Medicare and private insurance groups (at a 95 percent confidence level). Question asked among the subset of respondents who looked for a new primary care provider in the past 12 months (552 Medicare beneficiaries ages 65 and over and 816 privately insured people ages 50 to 64). Results weighted to be nationally representative.

Source: MedPAC's 2024 access-to-care survey, fielded by Gallup from July 25 to September 9, 2024.

Medicare beneficiaries' waits for an appointment with a new specialist comparable with, or better than, privately insured people's, 2024

Among those who looked for a **new specialist** in the past year...

How long did you have to wait to have an appointment with your new specialist?



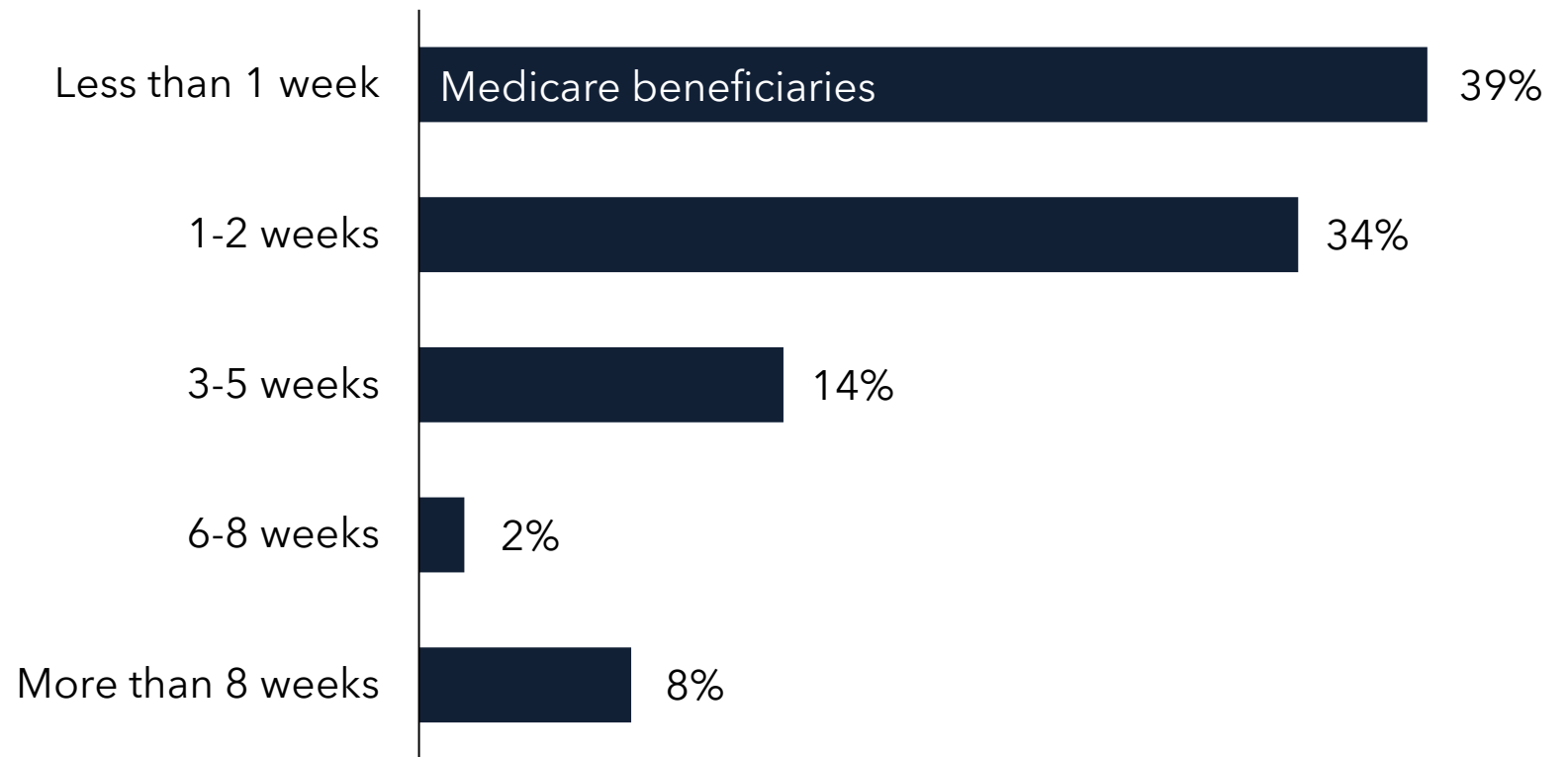
Note: *Statistically significant difference between Medicare and private insurance groups (at a 95 percent confidence level). Question asked among the subset of respondents who looked for a new specialist in the past 12 months (1,657 Medicare beneficiaries ages 65 and over and 1,913 privately insured people ages 50 to 64). Results weighted to be nationally representative.

Source: MedPAC's 2024 access-to-care survey, fielded by Gallup from July 25 to September 9, 2024.

For visits with all types of clinicians (new and existing), most Medicare beneficiaries waited 2 weeks or less, 2022

Among Medicare beneficiaries of all ages who recently had an office visit with a **new or existing clinician...**

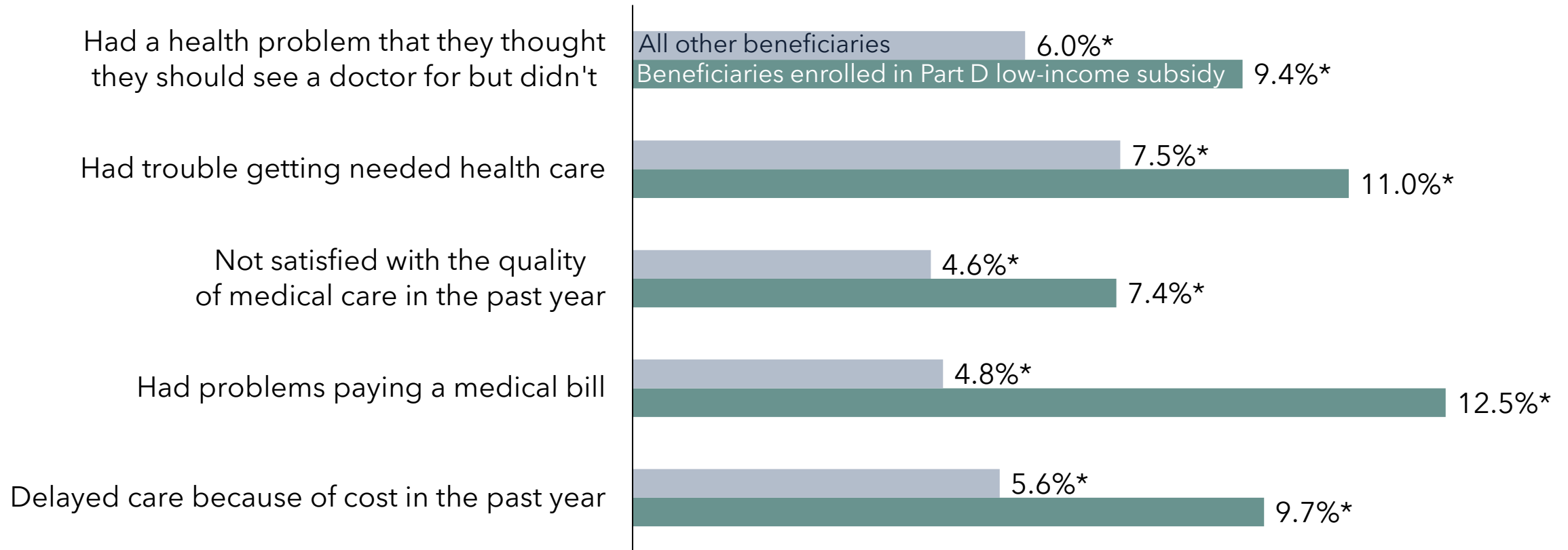
How long did you have to wait for your appointment?



Note: Reflects the experiences of 3,281 Medicare beneficiaries of all ages (including those under the age of 65) who reported having a doctor's office visit that was scheduled after they contacted a doctor's office to set up an appointment. Does not include appointments scheduled after a provider reached out to a beneficiary to schedule a visit, visits scheduled at a prior visit, or standing appointments. Survey results are weighted to be nationally representative of continuously enrolled Medicare beneficiaries in 2022 (including both those with original fee-for-service coverage and those enrolled in Medicare Advantage plans).

Source: MedPAC analysis of CMS's 2022 Medicare Current Beneficiary Survey.

Low-income Medicare beneficiaries report worse access to care than other beneficiaries, 2022



Note: *Statistically significant difference between beneficiaries eligible and automatically enrolled in the Part D low-income subsidy versus all other beneficiaries (at a 95 percent confidence level). Beneficiaries are eligible for the Part D low-income subsidy if 1) they have limited assets and incomes of 150% of the federal poverty level or less, or 2) they are dually enrolled in Medicare and Medicaid. The shares of beneficiaries from the two groups shown who reported the experiences shown are statistically significantly different from each other at the 95% confidence level. Survey results are weighted to be nationally representative of continuously enrolled Medicare population (including both those with original fee-for-service coverage and those enrolled in Medicare Advantage plans).

Source: MedPAC analysis of CMS's 2022 Medicare Current Beneficiary Survey.

Comparable shares of clinicians accept new Medicare patients and new privately insured patients, 2021

89%

accept new
Medicare patients

88%

accept new
privately insured patients

Note: Shares shown are among the 94% of non-pediatric office-based physicians who reported accepting new patients.
Source: Schappert, S. M., and L. Santo, Department of Health & Human Services. 2023. Percentage of office-based physicians accepting new Medicare, Medicaid or privately insured patients in the United States: National Ambulatory Medical Care Survey, 2021. Hyattsville, MD: National Center for Health Statistics. <https://www.cdc.gov/nchs/data/namcs/2021-P3P4-NAMCS-Provider-Data-Dictionary-COVID-Dashboard-RDC-Researcher-Use-508.pdf>.

Number of clinicians billing Medicare has increased, but the mix has changed

- From 2018 to 2023, the total number of clinicians billing the fee schedule grew by an average of 2.2% per year
- Changes varied by the type and specialty of clinician (2018-2023)
 - Rapid growth in APRNs and PAs
 - Growth in specialist physicians
 - Decline in primary care physicians
- Nearly all clinicians who billed under the fee schedule in 2023 accepted Medicare's payment rates as payment in full

Note: APRNs (advanced practice registered nurses), PAs (physician assistants).
Source: MedPAC analysis of Medicare claims data and annual report of the Boards of Trustees of the Medicare trust funds.

Number of clinician encounters per FFS beneficiary has increased

- Overall number of clinician encounters per FFS beneficiary grew by 4.3% from 2022 to 2023
- Change in number of encounters per FFS beneficiary varied by type of and specialty of clinician
 - Primary care physicians: -0.1%
 - Specialist physicians: +2.7%
 - APRNs and PAs: +10.1%

Note: FFS (fee-for-service), APRN (advanced practice registered nurse), PA (physician assistant).
Source: MedPAC analysis of Medicare claims data and annual report of the Boards of Trustees of the Medicare trust funds.



Quality of care

Quality of clinician care is difficult to assess

- Medicare does not collect much clinical information (e.g., blood pressure, lab results) or patient-reported outcomes (e.g., improving or maintaining physical and mental health) at the FFS beneficiary level
- CMS measures the performance of clinicians using MIPS
- MedPAC recommended eliminating MIPS because it is fundamentally flawed:
 - Clinicians select a small set of quality and improvement activities measures to report from a catalog of several hundred different measures
 - Many clinicians are exempt from reporting

Note: FFS (fee-for-service), MIPS (Merit-based Incentive Payment System).

Source: Medicare Payment Advisory Commission. 2018. *Report to the Congress: Medicare payment policy*. Washington, DC: MedPAC.

MedPAC assesses the quality of ambulatory care environment based on . . .

- 1 Ambulatory care-sensitive hospitalizations and ED visits
- 2 Patient experience scores (FFS CAHPS®)

Note: ED (emergency department), FFS (fee-for-service). CAHPS® (Consumer Assessment of Health Providers and Systems®) is a registered trademark of the Agency for Healthcare Research and Quality (AHRQ).

Ambulatory care measure results, 2023

- Geographic variation in rates of ACS hospital use signals opportunities to improve

	Risk-adjusted rate per 1,000 FFS Medicare beneficiaries		
	10 th percentile	90 th percentile	Ratio
ACS hospitalization	22.3	42.7	1.9
ACS ED visits	38.2	89.6	2.3

Note: ACS (ambulatory care sensitive), FFS (fee-for-service), ED (emergency department). We calculated the risk-adjusted rates of admissions and ED visits tied to a set of acute and chronic conditions per 1,000 FFS Medicare beneficiaries in Dartmouth Atlas Project-defined hospital service areas.

Source: MedPAC analysis of 2023 Medicare FFS claims data.

- CAHPS patient experience scores were relatively stable
 - Rating of FFS Medicare: 83/100
 - Rating of health care quality: 85/100

Note: CAHPS® (Consumer Assessment of Health Providers and Systems®). CAHPS scores are linear mean scores up to 100. CAHPS is a registered trademark of the Agency for Healthcare Research and Quality.

Source: FFS CAHPS mean scores publicly reported by CMS.



Clinicians' revenues and costs

Aggregate payments per FFS beneficiary grew for most types of service

- Allowed charges (program payments + beneficiary cost sharing) for all fee schedule services per FFS beneficiary grew by 4.2% from 2022 to 2023
 - Higher than average annual growth rate from 2018 to 2022 (2.2%)
- Growth in allowed charges varied by type of service in 2023
 - Ranging from –0.1% for major procedures to 7.2% for treatments
 - E&M services grew by 4.2%
 - 2023 growth rates for all types of services were higher than rates over 2018–2022

Note: FFS (fee-for-service), E&M (evaluation and management).
Source: MedPAC analysis of Medicare claims data, annual report of the Boards of Trustees of the Medicare trust funds.

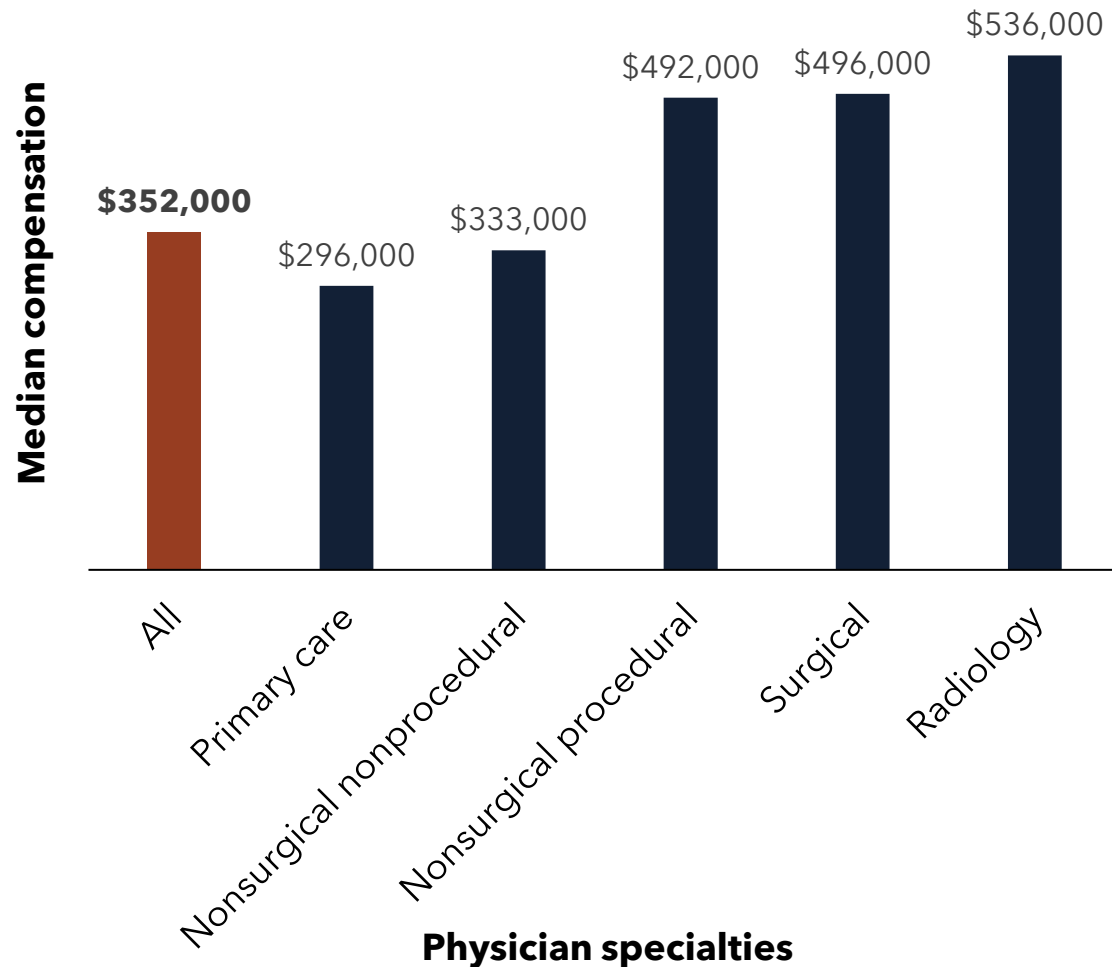
Private PPO payment rates remained higher than Medicare payment rates for clinician services in 2023

- We compare private insurance rates with Medicare rates because large differences could create an incentive for clinicians to focus on patients with private insurance
- Private PPO payment rates were 140% of FFS Medicare rates in 2023, up from 136% in 2022
- Despite lower rates, clinicians may accept Medicare for several reasons
 - Available capacity and desire to treat patients
 - FFS Medicare is a prompt payer
 - Private payers impose more administrative burdens (e.g., prior authorization)

Note: PPO (preferred provider organization), FFS (fee-for-service).

Source: MedPAC analysis of Medicare claims data and data on paid claims for PPO enrollees of a large national insurer.

In 2023, all-payer compensation grew by 3% for physicians and 6% for advanced practice providers (e.g., NPs, PAs)



- Median compensation in 2023:
 - Physicians: \$352,000
 - Advanced practice providers: \$138,000
- Average annual increase from 2019 to 2023:
 - 3.3% for physicians
 - 4.4% for advanced practice providers

Note: "Compensation" refers to median annual total cash compensation adjusted to reflect full-time work and does not include employer retirement contributions or payments for benefits. Dollar amounts rounded to nearest thousand. NP (nurse practitioner), PA (physician assistant).

Source: SullivanCotter's compensation and productivity surveys, 2024.

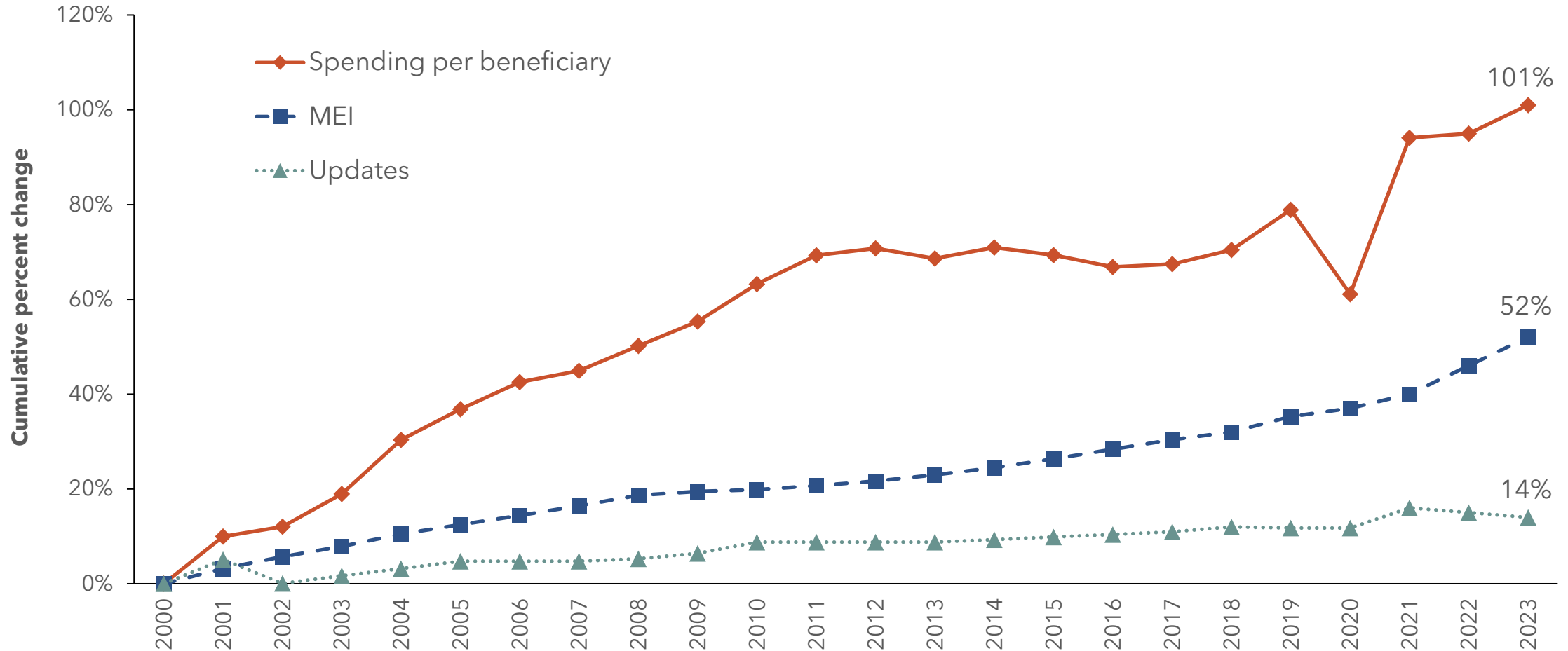
Growth in clinician input costs accelerated in recent years but is moderating

- Medicare Economic Index (MEI) measures clinicians' input costs and is adjusted for economy-wide productivity
- MEI growth was 1% to 2% per year for several years before the coronavirus pandemic, increased through 2022, slowed in 2023, and is projected to moderate further

2021	2022	2023	2024	2025	2026
Actual MEI growth			Projected MEI growth		
2.3	4.4	4.0	3.3	2.8	2.3

Note: MEI growth projections are based on data from the third quarter of 2024. These figures are updated quarterly by CMS and are subject to change.
Source: CMS market basket update.

Physician fee schedule spending per FFS beneficiary grew substantially faster than the MEI or fee schedule payment updates, 2000-2023



Note: FFS (fee-for-service), MEI (Medicare Economic Index). MEI data are from the new version of the MEI (based on data from 2017) and include updated total factor productivity data that CMS released as part of the second quarter of 2024 market basket data. Spending per FFS beneficiary is based on incurred spending under the physician fee schedule. The graph shows updates to payment rates in nominal terms. Fee schedule updates do not include Merit-based Incentive Payment System adjustments or bonuses for participating in advanced alternative payment models. One-time payment increases of 3.75 percent in 2021, 3.0 percent in 2022, and 2.5 percent in 2023 are included.

Source: MedPAC analysis of Medicare regulations, CMS market basket data, and reports from the Boards of Trustees of the Medicare trust funds.

Summary: Physician and other health professional services



Beneficiaries' access to care

- Beneficiaries' access comparable with, or in most cases better than, privately insured
- Comparable shares of clinicians accept patients with Medicare and private insurance
- Total number of clinicians increasing, mix changing
- Clinician encounters per FFS beneficiary increased by 4.3% in 2023

Mostly positive



Quality of care

- Medicare does not collect much clinical information
- MIPS is fundamentally flawed

Indeterminate



Clinicians' revenues and costs

- MEI growth has outpaced updates; MEI growth expected to slow to 2.3% in 2026
- Ratio of private insurance rates to Medicare rates increased slightly
- Median compensation grew 3% for physicians and 6% for advanced practice providers in 2023

Mixed

Note: FFS (fee-for-service), MIPS (Merit-based Incentive Payment System), MEI (Medicare Economic Index).

Chair's draft recommendation involves balancing multiple considerations

- Key objective:
 - Maintain beneficiary access to quality care without unnecessarily high payment rates, which create financial burdens for beneficiaries and taxpayers
- Key considerations:
 - Current beneficiary access indicators are relatively positive
 - High input cost growth relative to current law updates
 - Low-income beneficiaries report worse access to care than other beneficiaries

Targeting resources to improve access to care for low-income beneficiaries

- In 2023, Commission recommended establishing add-on payments for all physician fee schedule services furnished to low-income FFS Medicare beneficiaries:
 - 15% add-on for primary care clinicians
 - 5% add-on for all other clinicians
- Add-on payments would not increase beneficiary cost sharing
- Add-on payments would not be paid for through offsetting payment cuts elsewhere
- Safety-net add-on payments would be excluded from MA benchmarks

Note: FFS (fee-for-service). We define “low-income Medicare beneficiaries” as those who receive full or partial Medicaid benefits and/or receive the Part D low-income subsidy.
Source: MedPAC March 2023 report to the Congress.



Chair's draft recommendation

Chair's draft recommendation

The Congress should:

- for calendar year 2026, update the 2025 Medicare base payment rate for physician and other health professional services by the projected increase in the Medicare Economic Index minus one percentage point; and
- enact the Commission's March 2023 recommendation to establish safety-net add-on payments under the physician fee schedule for services delivered to low-income Medicare beneficiaries

Impact of chair's draft recommendation

- Increase base payment rates from 2025 to 2026 by MEI – 1%
 - MEI is projected to increase by 2.3% in 2026, so this would yield a 1.3% increase
 - Would replace current law updates
- Enact the Commission's clinician safety-net recommendation
 - Total: 1.7%
 - Primary care clinicians: 4.4%
 - All other clinicians: 1.2%

Note: MEI (Medicare Economic Index). MEI forecasts are subject to change.
Source: MedPAC March 2023 report to the Congress and CMS market basket data.

Implications of chair's draft recommendation

Spending

Increase spending relative to current law

Beneficiary and provider

Should maintain beneficiaries' access to care and maintain or improve low-income beneficiaries' access to care

Should maintain clinicians' willingness and ability to furnish care and should maintain or improve clinicians' willingness and ability to treat low-income beneficiaries

Medicare Payment Advisory Commission

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