

# Medicare : 2004 Challenges



# Stormy Seas

Changes in Conversion Factor

Malpractice Premiums

Medicare Targets

Drug Benefits

Access To Care

Rationing Care



# Conversion Factor and the Update

$$\left[ RVU_w (GPCI_w) + RVU_{pe} (GPCI_{pe}) + RVU_{mp} (GPCI_{mp}) \right]$$

**Total RVU (GPCI adjusted) \* Conv Factor = Gross Allowable**



# Conversion Factor and the Update

$$\left[ RVU_w (GPCI_w) + RVU_{pe} (GPCI_{pe}) + RVU_{mp} (GPCI_{mp}) \right]$$

$$\text{Total RVU (GPCI adjusted)} * \text{Conversion Factor} = \text{Gross Allowable}$$



# The Update and the SGR

Changes to Conversion Factor:

Estimate the SGR

Calculate the Update



# Sustainable Growth Rate: SGR

1. Project input prices for physician services
2. Project enrollment in FFS Medicare
3. Project real GDP / capita
4. Project spending attributable to law and regulation



# Sustainable Growth Rate: SGR

Factor	Percent
Change in input prices	2.3%
Change in FFS Medicare Enrollment	1.3
Change in real GDP / Capita	2.7
Change in Law Regs	0.0
SGR (Estimated)	6.4



# Calculate the Update

1. Actual input prices for physician services
2. Legislative Adjustment
3. Update Adjustment Factor

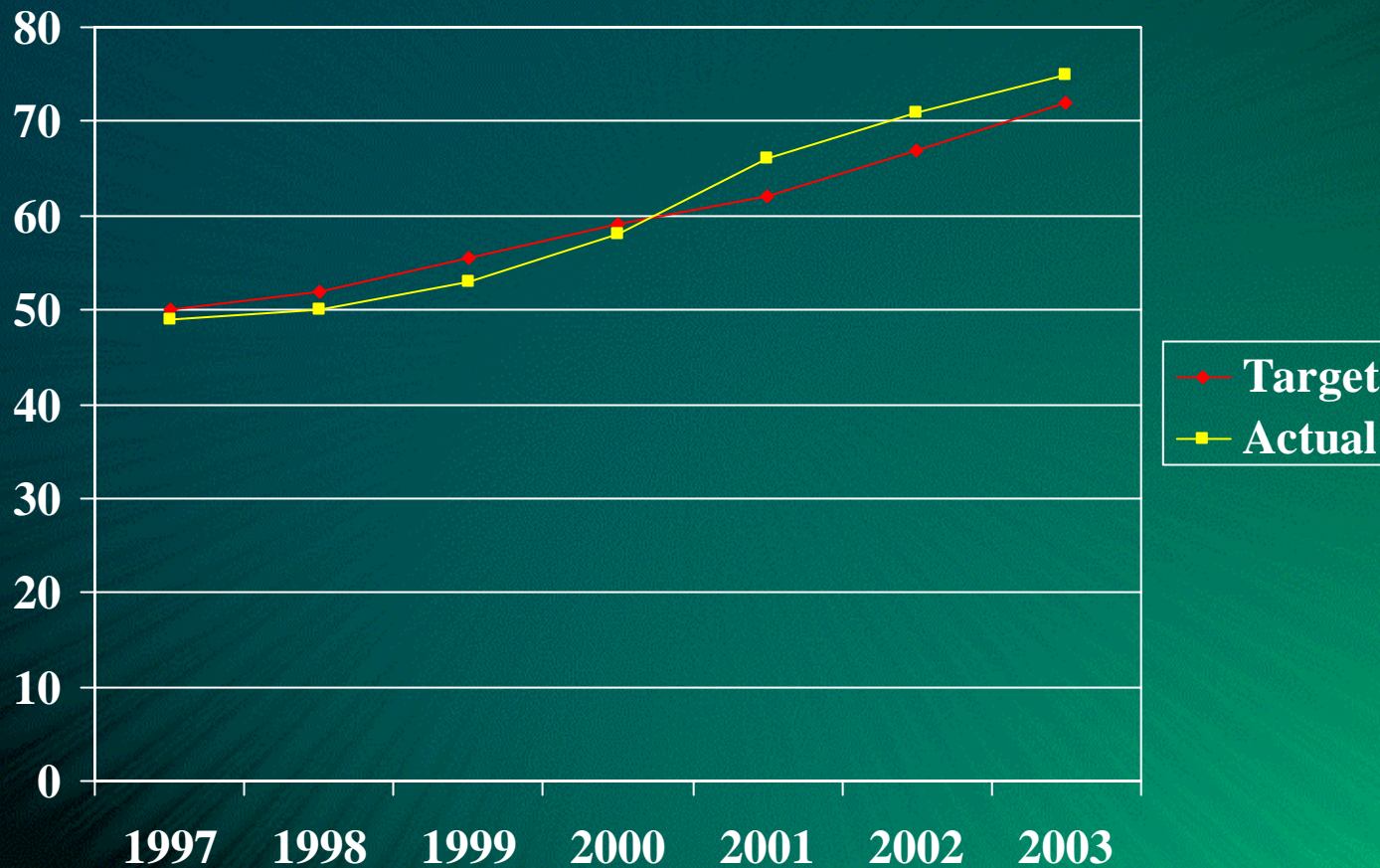


# Calculate the Update

Factor	Percent
Change in input prices	2.0%
Legislative Adjustment	-0.2
Update Adjustment Factor	-5.9
Update	-4.2



# Total and Actual Spending for Physician Services



# Why have Actuals exceeded Targets ?

- CMS View: physicians offset reductions in C.F. by increasing number of visits
- Other Views
  - Growth due to new technology
  - Growth due to medical research
  - Growth in Quality Improvement Plans
  - Growth in Specific Areas



# Areas of Growth

- Evaluation & Management Services
- Imaging Services
- Major Procedures
- Other Procedures
- Tests



# Top Areas of Growth 1999-2002

Growth Area	Percent Growth	Percent of Total Budget
MR Scans	20.1%	2.0%
Outpatient Rehab	16.7	3.3
Lab Test	15.5	0.4
Nuclear Medicine	15.3	2.0
CT Scan	14.8	1.8
Total	→	9.5%



# Conversion Factor and the Update

$$\left[ RVU_w (GPCI_w) + RVU_{pe} (GPCI_{pe}) \right] \cdot \text{Conversion Factor} = \text{Gross Allowable}$$

**Total RVU (GPCI adjusted) \* Conv Factor = Gross Allowable**



# Malpractice RVUs

## Are they Adequate ?

Procedure Totals				RVU Totals			
Office	Office 51	Facility	Facility 51	Work	PE	MP	Total
2006	158	573	17	698.59	3787.49	518.49	11287.6

**(MP 518.49) X (\$36.7856) = \$19.072.97**

2003 Conv Factor = 36.7856



# Soaring Premiums

## Do the GPCI correlate ?

State	GPCI	Premium for Surgeons
Florida	2.489	\$63-159K
Michigan	2.903	\$67-94K
Illinois	1.745	\$50-70K
Ohio	1.016	\$33-57K
Nevada	1.103	\$32-57K
New York	1.942	\$19-63K





## HPSC: Regulatory and Payment Policy

### Conclusions:

Conversion Factor, Update, and SGR remain a High Priority  
Malpractice Reform must include updates to

Malpractice RVUs

Malpractice GPCI

Engage CMS in Utilization, Growth and Spending Targets

Drug Usage

CT, MR

Evidenced Based Quality Care must be linked to Payment



