

Dateline Washington

prepared by the Division of Advocacy and Health Policy

Fellow wins congressional runoff election

On December 4, Charles Boustany, MD, FACS, won his runoff election for the Seventh Congressional District of Louisiana. Dr. Boustany is the first Republican to represent Louisiana's Seventh District and is the third Fellow of the College elected to the U.S. House of Representatives in 2004. He joins Tom Price, MD, FACS (R-GA), and Joe Schwarz, MD, FACS (R-MI), in the freshman class.

A thoracic and cardiovascular surgeon, Dr. Boustany received a medical degree in 1982 from Louisiana State University (LSU) School of Medicine, New Orleans, LA. He was a general surgery resident at the LSU Division Charity Hospital in New Orleans and then moved on to become chief resident in thoracic and cardiovascular surgery at the University of Rochester, NY. After completing his residency, Dr. Boustany returned home to Louisiana and was in private practice for 14 years.

MedPAC drafts recommendations to Congress

On December 9 and 10, the Medicare Payment Advisory Commission (MedPAC) met to consider a number of issues of interest to surgeons. The panel will recommend that Congress craft legislation that would:

- Institute pay-for-performance for hospitals, physicians, and home health agencies.
- Fund the adoption of health information technology in physician offices.
- Extend the moratorium on physician ownership of specialty hospitals until the Centers for Medicare & Medicaid Services (CMS) adjusts the diagnosis-related group (DRG) system so that the relative profitability across DRGs is the same. (Current law calls for the moratorium to expire June 8.)
- Enact a positive update to the Medicare fee schedule in 2006, based on the Medicare Economic Index minus an allowance for productivity growth. A preliminary estimate of the recommended update is 2.7 percent.

These recommendations and others will be presented to Congress in a report set for release in March.

OIG reports on outpatient resident training payment strategy

The Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS) issued a report to Congress and CMS entitled, *Alternative Medicare Payment Methodologies for the Costs of Training Medical Residents in Non-hospital Settings*. The report fulfills a mandate in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, identifying and describing the pros and cons of five alternative methodologies for paying the costs of training these residents.

The College is recommending that before CMS implements any option, it should work with Congress to: (1) further analyze the current financial arrangements and incentives among teaching hospitals, nonhospital settings, and supervisory physicians in nonhospital settings; (2) study the potential impact of any revisions to the current policy; and (3) clarify the definition of "all or substantially all" of the costs associated with training residents in nonhospital settings. The report (A-02-04-01012) may be found online at <http://www.oig.hhs.gov/oas/reports/region2/20401012.pdf>.

CMS aims to improve Medicare payment error rates

CMS has announced new steps to more accurately and comprehensively measure error rates in Medicare payments at the contractor level. The agency also hopes to further reduce improper payments by more than half, to 4 percent, in four years, through targeted error improvement initiatives. These initiatives will build on recent reforms in payment oversight and new authorities in the Medicare law.

Since 1996, the HHS OIG annually has determined the error rate for fee-for-service claims paid by the insurance organizations that serve as Medicare contractors. Medicare processes more than one billion claims each year. In fiscal year 2004, CMS reviewed more than 160,000 Medicare claims from the preceding year to learn where errors were being made. Of the total payments sampled, the new measurement program indicates the following problems:

- 4.1 percent of payments had errors due to insufficient documentation (2.6% was reported in the 2003 analysis, which included much less information on fiscal intermediaries).
- 2.8 percent had errors due to nonresponses to request for medical records (an unadjusted 5.0% rate was found in 2003).
- 1.6 percent had errors due to medically unnecessary services (as opposed to 1.3% in 2003).
- 0.1 percent had other errors (compared with 0.2% in 2003).

The claims included in this analysis were submitted before the agency's recently implemented initiatives to reduce error rates took effect. To reduce the error rates, CMS contractors will be required to:

- Develop corrective efforts to educate providers about the importance of submitting complete medical records.
- Identify where additional review of claims and education on submitting claims is needed.
- Use the performance results to develop local efforts to lower the error rates by addressing the cause of errors and outlining corrective steps.

CMS is continuing to develop material for health care providers as part of The Medicare Learning Network. These articles can be found at www.cms.hhs.gov/medlearn/matters. The error rate report can be located at www.cms.hhs.gov/CERT.

Proposed ASC list is released

CMS has published a new proposed list of procedures that Medicare will cover in ambulatory surgical centers (ASCs). The agency proposes to add 25 procedures to and delete 100 from the current list. The additions and deletions are partly a response to January 2003 OIG recommendations, indicating that Medicare could save up to \$14 million annually by removing certain procedure codes from the list. CMS deleted procedures that are performed in a physician's office more than 50 percent of the time or predominantly in the inpatient setting. Also deleted were procedures about which medical specialty organizations had safety concerns. CMS accepted public comments on the ASC procedure list through January 25. It is scheduled to become effective July 1.

The entire rule can be viewed on the *Federal Register* Web site at <http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/pdf/04-25968.pdf>.