

Dateline|Washington

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Senate passes Medicare relief package

As noted in the January *Bulletin's* Dateline: Washington column, on December 9, 2006, the Senate passed a Medicare relief package that blocks a 5 percent cut in the physician fee schedule conversion factor for 2007. The legislation passed just before Congress' adjournment and was produced during a week of intense negotiations between House and Senate leaders. At press time, the President was expected to sign the law, which encompasses a range of issues not related to Medicare.

In addition to freezing the conversion factor at the 2006 level of \$37.8975, the bill establishes a pay-for-reporting quality incentive program. Between July 1 and December 31, 2007, physicians who report specific quality measures on Medicare claim forms for a sufficient number of eligible services will receive an additional 1.5 percent bonus payment for all of their covered Medicare services. Although still subject to some refinement, the measures that will be used are those that the Centers for Medicare & Medicaid Services (CMS) develops for the Physicians Voluntary Reporting Program (PVRP). (Visit www.cms.gov/PVRP for the current list of measures and other information about PVRP.) The 1.5 percent bonus will be paid as a lump sum in early 2008 to each reporting physician who qualifies.

Other provisions in the bill include a one-year extension of the "floor," or minimum, on geographic payment adjustments that benefit physicians in rural areas and a one-year moratorium on payment caps for physical therapy. In addition, the Office of the Inspector General will conduct a study regarding the prevalence of and payment for major medical and surgical errors in the Medicare program, and the recovery audit contractor program under the Medicare Integrity Program will be expanded in an effort to reduce Medicare overpayments.

Although the legislation offers some much-needed relief, many surgeons will nonetheless experience payment reductions as a result of the outcome of the five-year review of relative work values currently included in the physician fee schedule. In addition, the legislation falls far short of the long-term comprehensive reforms needed to eliminate annual across-the-board Medicare payment reductions projected to occur through 2014. In fact, the freeze essentially takes the form of a 5 percent "bonus" adjustment to the conversion factor; technically, the 5 percent reduction will still take place in 2007. Consequently, when the 2007 adjustment expires at the end of 2007, calculation of the 2008 conversion factor will begin with the lower number (approximately \$35.98) that would have taken effect in 2007 if Congress had failed to intervene. The combined impact will be an estimated 10 percent conversion factor reduction in 2008, unless Congress acts once again.

In addition, Senate leaders agreed on a separate measure providing short-term relief from the 2007 funding shortfall that would have jeopardized 17 state children's health insurance programs (SCHIPs). That bill redirects unspent SCHIP dollars from states that experienced a surplus in funds in fiscal years 2004 and 2005 to those states with deficits. As a result, 2007 shortfalls should be deferred until early May, buying time for further congressional action. The legislation also

Heritage Foundation calls for reform

provides Medicaid matching funds to cover populations other than children and pregnant women. The SCHIP language was attached to a larger National Institutes of Health funding-extension bill.

Just before Congress took action on Medicare payment, The Heritage Foundation had released a report urging lawmakers to avert the 5 percent reduction in Medicare physician payments and to implement long-term reimbursement reforms. According to the report, the payment update reduction would have forced many physicians to stop accepting new Medicare patients, to defer investments in new equipment and technology, or both. Hence, The Heritage Foundation called on Congress to reform Medicare by replacing the existing payment system with value-based purchasing. Specifically, this conservative think tank said that Congress should promote transparency of price and outcomes and reward superior performance and results. The group also asserted that Congress should reject pay-for-performance proposals that would force physicians to comply with government guidelines and instead call on the medical profession to set standards of care. Furthermore, the report advised moving new Medicare beneficiaries to an entirely new system based on defined contributions and powered by the free-market principles of choice, competition, price transparency, and information availability.

The report cited the American College of Surgeons National Surgical Quality Improvement Program (ACS NSQIP), originally developed within the Department of Veterans Affairs, as an outcomes reporting mechanism that has significantly reduced postoperative mortality and morbidity, shortened length of stay, and increased patient satisfaction. Currently the College is enrolling private sector hospitals in ACS NSQIP.

John S. O'Shea, MD, FACS, Health Policy Fellow in the Center for Health Policy Studies at The Heritage Foundation, wrote the background information for the report. To view the text, go to <http://www.heritage.org/Research/HealthCare/bg1986.cfm>.

Medicare posts outpatient cost data

On November 20, CMS began posting Medicare payment information for physicians and hospital outpatient departments on its Web site. The purpose of this effort is to help patients, providers, and payors make more informed health care decisions and to complement the inpatient hospital and ambulatory surgery center data already available on the site. Included in this latest data release is information on services commonly provided in physicians' offices and in hospital outpatient departments. An executive order that President Bush signed August 22, 2006, directed that more data be made available to all Americans as part of a commitment to make health care more affordable and accessible by making costs more "transparent"—the Administration anticipates that patients will review the data to compare the costs of procedures performed in the various sites of service and use that information to select the most appropriate and desirable setting for their care. These data may be viewed on the CMS Web site, at www.cms.hhs.gov/HealthCareConInit/.