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prepared by the Division of Advocacy and Health Policy

MedPAC issues recommendations on Medicare payment

On March 1, the Medicare Payment Advisory Commission (MedPAC) issued its 2005 annual report to Congress containing recommendations on Medicare payment policies pertaining to physicians, hospitals, skilled nursing facilities, and other providers. With respect to physician payments, the report contains the following recommendations:

- Medicare reimbursement to physicians should increase by 2.7 percent in 2006, as opposed to the 5.2 percent payment reduction that the sustainable growth rate formula is expected to yield next year.
- Several changes should be made in policies pertaining to diagnostic imaging, including improved coding edits to detect unbundled services and reduced technical component payments for multiple imaging services provided in a single patient encounter. It is also suggested that the Secretary of the U.S. Department of Health and Human Services (HHS) set standards for physicians and other providers who bill Medicare for interpreting or performing diagnostic imaging studies.
- Congress should establish a quality incentive payment policy for physicians in Medicare. This process could start with quality-enhancing functions and outcomes associated with information technology use and claims-based, condition-specific process measures.

The complete report may be viewed on MedPAC's Web site, at *http://www.medpac.gov/publications/congressional_reports/Mar05_EntireReport.pdf.*

Medicare plans to level playing field for specialty hospitals

MedPAC issued a second report in March on physician-owned specialty hospitals, which recommends that Congress extend the current 18-month moratorium on development of these facilities until January 1, 2007. In the meantime, the commission recommends that the Secretary of HHS refine the current hospital diagnosis-related groups (DRGs) to fully capture differences in severity of illness among patients so that payments can be better balanced between specialty and full-service community hospitals. MedPAC also recommends that the Secretary be authorized to permit gain-sharing arrangements between physicians and hospitals.

Congress first acknowledged the controversy over specialty hospitals when it included a provision in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (commonly referred to as the MMA) establishing the 18-month moratorium only on the development of physician-owned facilities, as requested by the hospital industry. (Interestingly, no bans on specialty hospitals owned by other investors have ever been proposed or endorsed.)

The Centers for Medicare & Medicaid Services (CMS) has announced plans to adjust Medicare payments to hospitals in a manner similar to the one recommended by MedPAC. Although the exact changes CMS will propose were unknown at press time, they will affect reimbursement for both specialty and full-service hospitals. It appears unlikely that CMS can complete the work in time to implement changes by October 1, 2005—the deadline for implementing next year's hospital

payment policies. However, the agency is scheduled to release a report on the issue shortly.

On March 8, the Senate Committee on Finance and the House Ways and Means Subcommittee on Health held hearings on this issue. The College submitted a written statement for the hearing record supporting CMS's efforts to refine the DRG system to provide more equitable reimbursement for procedures that are performed in hospital settings. That statement is posted on the College's Web site, at *http://www.facs.org/ahp/testimony/specialtyhospitals.html*.

ACS testifies on medical liability reform

Congress began its 2005 session by holding hearings on medical liability reform. On February 17, Chad Rubin, MD, FACS, from Columbia, SC, testified on behalf of the College before the House Small Business Committee. His testimony was presented at a hearing on Medical Liability Reform: Stopping the Skyrocketing Costs of Health Care. Dr. Rubin described how the rising cost of medical liability insurance is dramatically affecting his group practice in South Carolina. He also told the committee how the crisis pushed his mother's physicians out of southern Illinois, forcing her to travel across state lines for her medical care. Congress will be considering medical liability reform legislation in the coming months. Dr. Rubin's testimony can be found on the College's Web site at *http://www.facs.org/ahp/testimony/medicalliability.html*.

ACS publishes patient safety manual

The American College of Surgeons has announced publication of its new manual *Surgical Patient Safety: Essential Information for Surgeons in Today's Environment*. Edited by Barry M. Manuel, MD, FACS, and Paul F. Nora, MD, FACS, this 200-page publication is intended to provide guidance and leadership in evolving areas of patient safety. Chapters in the book describe a variety of practical resources and provide a broad overview of key issues. For example, the first two chapters address the scientific basis of surgical patient safety, specifically human factors and systems analyses. Other chapters evaluate the processes affecting surgical patient safety, such as decision support, electronic prescribing, and error detection, analysis, and reporting. Legal challenges for surgeon participation in patient safety activities are reviewed.

Strategies for preventing wrong-site surgery, safe implementation of blood and blood components, and patient safety in trauma care are addressed, as are broader error prevention methods, including the use of surgical simulation, educational interventions, and quality improvement initiatives.

Individual copies of this publication are available to members of the College for $20. The price for nonmembers is $25. The publication order number is 05PS-0001. Orders can be placed online through the College's Publications and Services Catalog (Patient Safety and Professional Liability section) at *http://www.facs.org/commerce/2004/catsplash.html*.