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prepared by the Division of Advocacy and Health Policy

College supports payment reform bill

On July 11, Rep. Pete Sessions (R-TX) introduced the Medicare Physician Payment Reform Act of 2007 (H.R. 3038), which would repeal the sustainable growth rate (SGR) formula used to calculate the Medicare fee schedule conversion factor update. As the College and the American Osteopathic Association have advocated, H.R. 3038 would replace the SGR with the service category growth rate (SCGR). Unlike the SGR, the SCGR would recognize the different types of services that physicians provide and establish separate payment levels for each category. In this way, the SCGR would provide incentives for the continued provision of preventive and chronic care services to Medicare patients without penalizing other service categories, such as major surgical procedures, that have experienced little or no growth in volume.

One of the SGR's many flaws is that it sets a target for the growth in Medicare spending for physician services. Whenever spending on physician services exceeds the SGR target in one year, the surfeit costs must be recouped in future years, leading to across-the-board cuts in physician reimbursement rates. These reductions occur regardless of whether the spending for particular types of services has stayed within the limits imposed by the SGR. For example, over the last several years, the growth in spending on major surgical procedures has remained consistently lower than spending in other service categories, yet surgeons have continued to experience the same threats of payment reductions.

The College's letter of support for H.R. 3038 can be obtained at <http://www.facs.org/ahp/views/mppra2007.html>. More information regarding the legislation can be accessed by visiting <http://thomas.loc.gov> and entering bill number H.R. 3038 in the Search Bill Text window.

Proposed rule on payment released

On July 12, the Centers for Medicare & Medicaid Services (CMS) published a proposed regulation outlining Medicare physician payment policy changes for 2008. The notice states that the Medicare fee schedule conversion factor still is slated for an estimated 9.9 percent reduction effective January 1, 2008. Other provisions in the proposal that may interest surgeons are as follows:

- The work adjuster that is applied to relative work values would change from -10.1 percent in 2007 to -11.8 percent in 2008 (a 1.7% drop in payment), primarily because of a proposed 32 percent increase in work values for anesthesia services.
- The geographic practice cost indices, which are reviewed every three years, would be revised to reflect new data on resource cost differences among localities. The most significant decreases are expected in northern California, where Santa Clara, for example, will see an estimated 4.63 percent reduction in payment. The largest proposed increase is estimated at 2.17 percent in Miami, FL.
- The multiple procedure payment reduction, under which payments for additional operations performed by the same physician during the same operative session are reduced 50 percent, would now be applied to Mohs surgery.
- An expanded list of clinical and structural measures would be incorporated into the Physicians Quality Reporting Initiative (PQRI).

However, no new measures would be used until the National Quality Forum endorses them or the AQA adopts them. Without congressional action, no funding is available to continue this year's policy of providing a bonus payment to physicians who report the PQR measures.

Assuming Congress halts the 9.9 percent cut in the fee schedule conversion factor, the combined effect of all the proposed payment policy changes on the surgical specialties in 2008 would be relatively minor. Most surgical specialties—including general, orthopaedic, plastic, and vascular surgery, as well as obstetrics-gynecology and urology—would experience a 1 percent net decrease in Medicare income. Colorectal surgery would see no net effect, whereas cardiac, general thoracic, hand, and neurological surgeons would be subject to the greatest decline (2%). Ophthalmologists and otolaryngologists would experience modest net increases of approximately 1 percent.

The proposed regulation may be viewed on the CMS Web site at <http://www.cms.hhs.gov/PhysicianFeeSched/PFSFRN/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=4&sortOrder=ascending&itemID=CMS1200867&intNumPerPage=10>. At press time, the College was drafting comments about the proposal; public comments were due on August 31.

CMS disseminates NPI information

CMS began disseminating National Provider Identifier (NPI) information to physicians via the Internet on August 1. CMS has decided that any data that were submitted but not required in order to obtain a NPI may be disclosed in response to queries. Providers may delete this information by submitting another NPI application form and completing only the required fields. CMS had originally intended to make NPI information available to physicians via the Internet effective June 28 but delayed implementation so physicians would have time to update or delete information before its release. For more information, visit <http://www.cms.hhs.gov/NationalProvIdentStand>.

State health systems report available

The Commonwealth Fund's Commission on a High Performance Health System recently released *Aiming Higher*, a report that follows up on the group's 2006 report, *A National Scorecard on U.S. Health System Performance*. *Aiming Higher* compares the performance of state health systems, focusing on 32 indicators such as access, quality, avoidable hospital use and costs, equity, and healthy lives. The report presents overall rankings and scores for each factor. The Commonwealth Fund anticipates that states with low ratings in a performance indicator will use the report to begin a dialogue with higher-ranking states to develop methods of improving quality across the U.S. The report can be accessed at http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=494551.

Two days before the Commonwealth Fund released *Aiming Higher*, the Agency for Healthcare Research and Quality issued findings from a similar project, *State Snapshots*, which can be accessed at <http://statesnapshots.ahrq.gov/statesnapshots/index.jsp>.