
July 2005 marked the 40th anniversary of Medicare. The Medicare program was designed by Congress in 1965 to cover health care for seniors and disabled persons in the U.S. Throughout its history, Medicare has responded to the challenge of providing funding for millions of physician visits when beneficiaries are sick or in need of acute care treatment. Today, more than 42 million beneficiaries count on Medicare coverage for physician, hospital, and many other services.

But the practice of medicine was very different when Medicare benefits were first designed and implemented. The Medicare program of 1965 only paid for “those services that are considered to be medically reasonable and necessary for the diagnosis or treatment of an illness or injury or to improve the functioning of a malformed body member” (Social Security Act, section 1862 [42 U.S.C. 1395y] (1) A). Until recently, the Centers for Medicare & Medicaid Services (CMS) did not have the authority to pay for prevention-oriented care or drugs that would make a substantial difference in preventing disabling disease.

Medicare modernization act

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) added new preventive care programs to those services that the Medicare program already covered, including a Welcome to Medicare physical exam and lipid and diabetes screening, as well as new coverage for

smoking cessation programs. MMA also provided new ways for Medicare to support programs that help patients with chronic diseases comply with their physician’s plan of care, which CMS and medical organizations are collaborating to implement. Although surgeons are not typically directly involved with prevention, they do often deal with chronically ill patients who could benefit from these preventive measures as well as the new drug benefit provided by the MMA.

In the past, surgeons and their office staff have been instrumental in helping patients understand the coverage of the services they need. As a provider of continuing care for these patients, surgeons are in a position to help them learn more about the benefits they need to stay healthy. In that role as a trusted advisor, surgeons should inform patients of how they may take advantage of the Medicare prescription drug coverage, which will be available in 2006 to all Medicare beneficiaries who apply, beginning on November 15, 2005. Patients living on a fixed income should be encouraged to fill out the related Social Security forms, because it can mean substantial financial help.

Informing patients of the new drug benefits

Understandably, there is pressure on a surgeon’s clinical time with patients, but informing patients with Medicare coverage of the new prescription drug coverage could be valuable to them. CMS will also be providing information to surgeons’ offices

The challenge of implementing the new Medicare drug benefit while updating physicians’ pay

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for distribution to patients. This information will describe the basic coverage and explain how to get more detailed information. In addition, the Social Security Administration is sending 20 million letters to people with Medicare who may be eligible for additional help with their prescription drug payments. Patients might approach physicians, asking about this letter and the coverage. Patients may be referred to their local Social Security or Medicaid office or they may call 800/MEDICARE if they need more help in obtaining medications they have been prescribed.

It is important that patients know they will need to select a drug plan that best meets their prescription payment needs in November, and that plans will begin competing for their business in October. A typical beneficiary who is paying for medication on his or her own today will receive help worth about \$1,300 per year, because the coverage will pay for more than half of their prescription drug costs after a deductible. All beneficiaries will also get peace of mind against catastrophic drug costs, because Medicare will pay approximately 95 percent of the cost of prescriptions after a beneficiary's out-of-pocket expenses reach \$3,600 a year. Beneficiaries will pay a monthly premium that is expected to average approximately \$37 in 2006. Medicare will also help pay for retiree drug coverage provided by employers and unions. Drug coverage will also be available through Medicare Advantage health plans, which typically offer extra coverage with lower costs.

Physician payment update

As CMS is working to expand awareness of the new prescription drug benefit, it also acknowledges that physicians have legitimate concerns about the physician payment rate update scheduled to occur in 2006. CMS is carefully reviewing and considering proposed administrative fixes, such as removing drugs from the sustainable growth rate. According to estimates, removing drugs from the sustainable growth rate prospectively will not yield a positive update until perhaps 2011.

Even if this administrative fix should solve the negative update problem in the short term, it substantially increases beneficiary premiums and worsens Medicare's overall financial outlook, especially if substantial growth in the use of Part B office visits, diagnostic tests, and minor proce-

dures continues. To find better ways to pay effectively for innovative and coordinated care that will improve health and reduce costs—and not just for the number of services provided, regardless of their quality and impact on patient health—is a challenge. Any effective payment system in Medicare must recognize that physicians are the most essential part of the solution, and CMS is working closely with physicians to develop better ideas for physician payment.

Based on feedback from physicians, more support for physicians who provide services that are not covered—but that are believed to improve quality and efficiency in the health care system—is being examined. The MMA offered CMS new opportunities to test approaches that pay more for better care and better results, so that physicians get the support they deserve for innovative ideas, such as using electronic records or e-mail and phone reminders effectively.

However, Medicare can only succeed if patients can continue to get the physician care and services they have come to rely on. As CMS acts to ensure that physicians are paid appropriately for providing that care and works on resolving the sustainable growth rate issue, physicians should ensure that beneficiaries know how to get the most from Medicare by explaining the value of prescription drug coverage and that 800/MEDICARE is an easy way to find local resources to help them make those choices. □

Note: See related “Socioeconomic tips” column about the Medicare prescription drug program on page 29.

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