
# Medicare payments & workforce issues

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May 24, 2007

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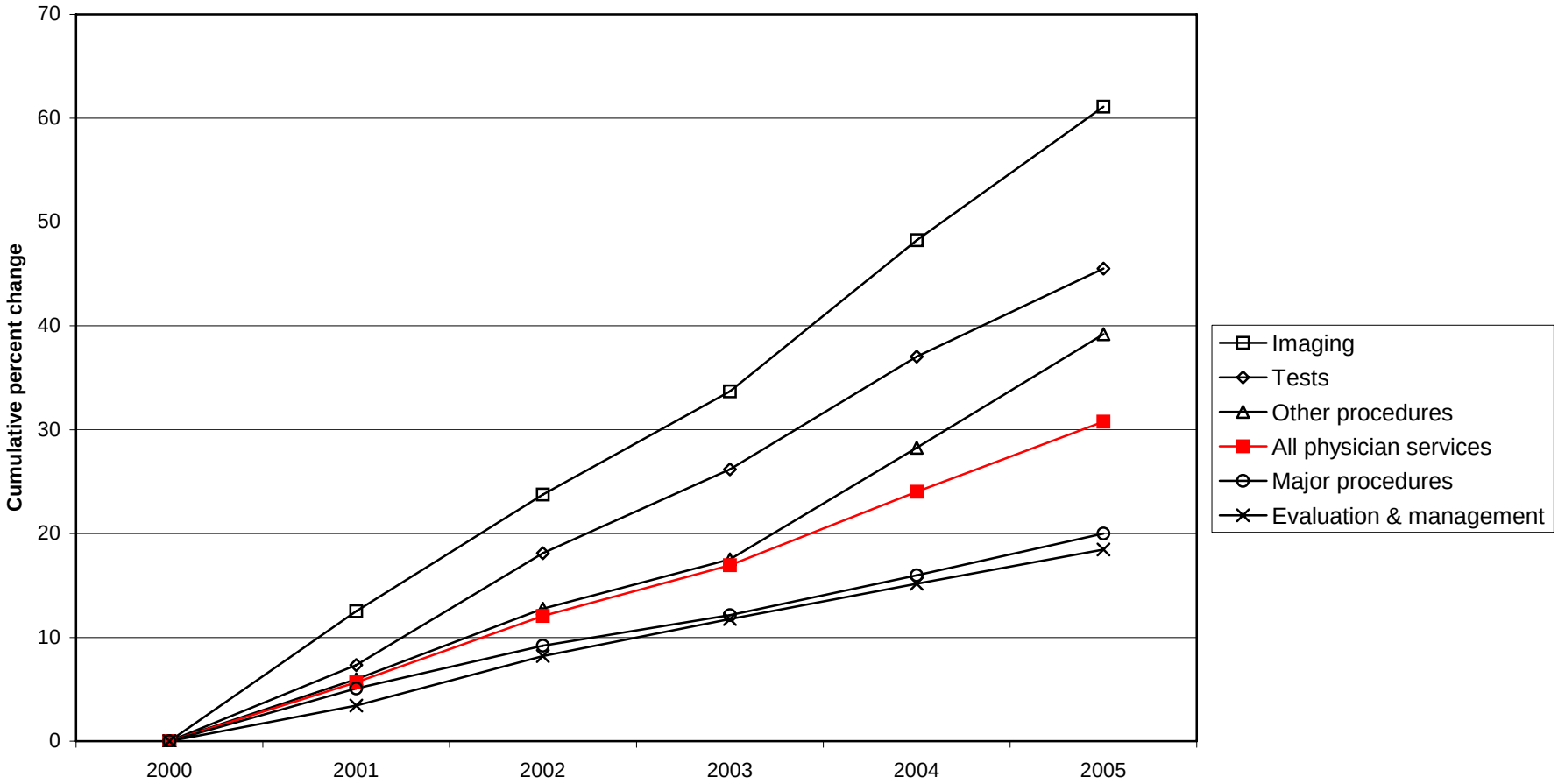
# Overview

- Payment systems affect provider behavior
- MedPAC regularly examines the implications of price distortions
- Short run concerns: spending, access, equity
- Long-run concerns: system supply, organization, and capacity

# Lack of balance between primary and specialty care

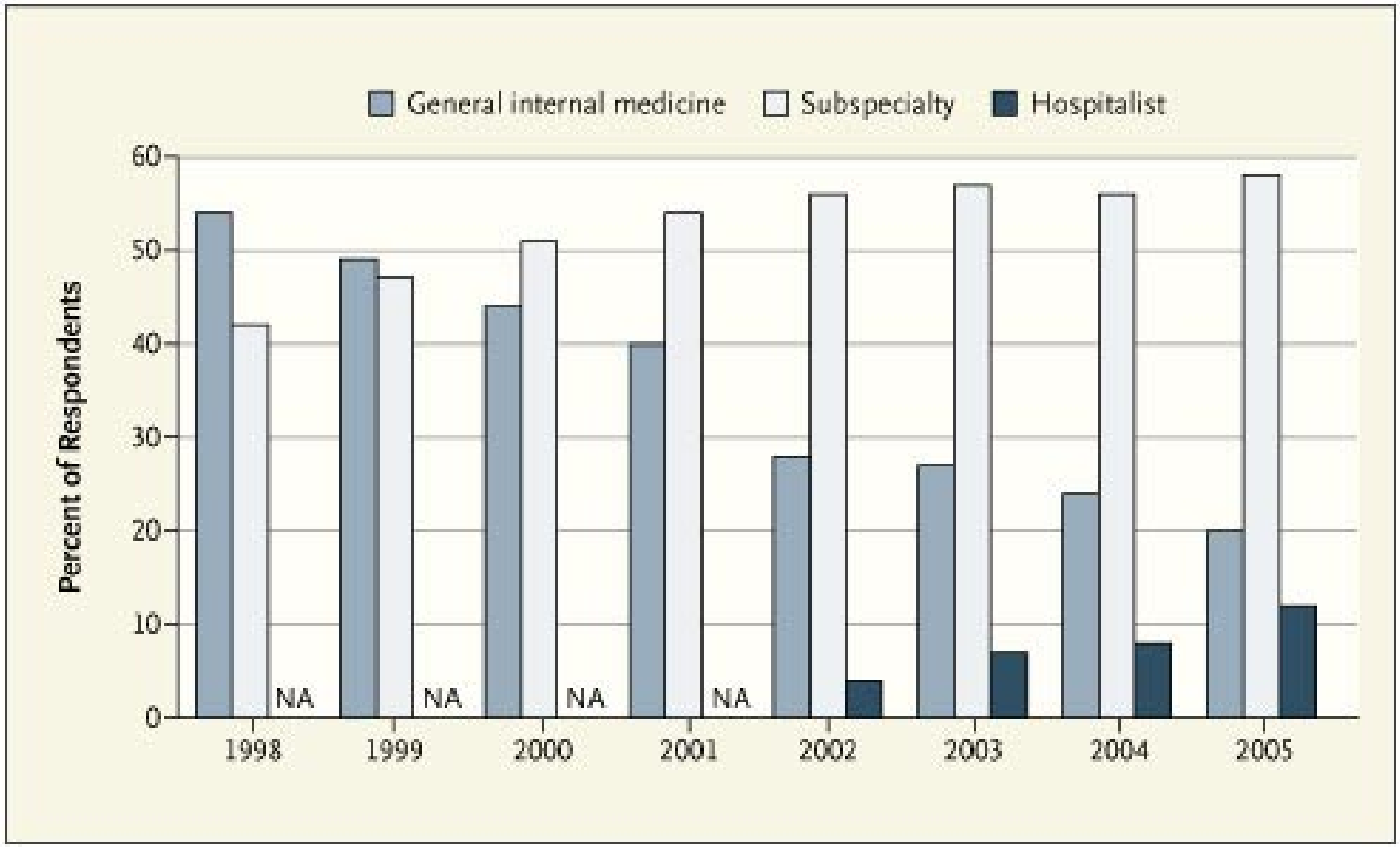
- Unequal volume growth by type of service
- Payment system rewards more services
- Payment system does not reward care coordination and quality
- Uneven income distribution among physicians
- Drop in number of physicians choosing primary care

## Cumulative growth in volume of physician fee schedule services per beneficiary, by type of service, 2000-2005




Source: Analysis of physician claims data for 100 percent of Medicare beneficiaries.

# The share of internal medical residents choosing careers as generalists is falling




**Source: Bodenheimer T., N Engl J Med 2006; 355:861-864.**

# Restoring the balance

- Ensuring accurate prices
- Rewarding care coordination
- Improve payment incentives
- Information and education

# Ensuring accurate prices

- Inaccurate payments for physician services can distort the market for health care services by:
  - Increasing or decreasing volume for certain services inappropriately
  - Undermining access to care
  - Making some specialties more financially attractive than others
- Evidence suggests some services continue to be misvalued

# RUC recommendations; previous five-year reviews

# Ensuring accurate prices

MedPAC's recommendation:

- CMS rely less heavily on physician specialty societies to identify overvalued services and provide supporting evidence
- Establish an expert panel within CMS to help identify overvalued services
- Use volume growth as an indicator of mispricing

# Rewarding care coordination

- Rising prevalence of chronic care conditions
- Gaps between care thought to be effective and actual care delivered, including preventive ambulatory care
- MedPAC work shows patients have many different physicians
- Better primary care & care coordination can
  - improve quality
  - avoid unneeded ER visits and acute hospital stays
- Reward physicians who choose to be accountable

# Rewarding care coordination

- Information technology and nurses are valuable resources
- Create incentives for shared resources to do care coordination
- Payments to large disease management entities and physician groups (fee based on performance)
- Physician fee for non face-to-face care
- Beneficiary soft lock-in

# Improve payment incentives

- Measuring physician resource use
- Pay for performance – quality and resource use

# Measuring physician resource use

- Wide geographic variation in practice patterns and use of services with little or no relationship to outcomes
- MedPAC stated that distinguishing among providers on basis of efficiency (quality and resource use) is a goal
- MedPAC recommends that Medicare measure physicians' resource use over time and feed back the results to physicians

# Linking payment to quality with P4P

- Concerns about quality of care
- Medicare pays physicians without differentiation based on quality
- As largest single payer, Medicare can bring about change
- Small percentage of payments, budget neutral

# Information and education

- Comparative effectiveness
- Structure of medical education funding

# Comparative effectiveness

Lack of comparative effectiveness information:

- Undermines quality of care
- Contributes to wide variation in quality & use of services
- Wastes program resources

# Why is a public role needed?

- Under-produced by private sector
- Information is a public good
- Research has shown that studies are not always objective, and available to the public

# Problems with current structure of medical education funding

- Subsidies to teaching hospitals are tied to Medicare inpatient admissions
- Training focuses on acute, inpatient care
  - Procedure- and hospital-oriented training
  - Enhances training of specialists over primary care physicians
- Restructuring medical education training

# Medical education & workforce

- Funding
- Targeting medical school and residency
- Site of service
- Physicians versus non-physicians