



2007 Federal Health Policy Priorities

- 1. Medicare Reimbursement:** Establish a sustainable and more equitable payment formula.
- ◇ The continued effort to cut the Medicare reimbursement rate to providers has a direct impact on access. In Whatcom County almost 100% of primary care providers do not accept *new* Medicare patients.
 - ◇ There is a consensus that the existing formula doesn't work.
 - ◇ The Sustainable Growth Rate that is used in Part B and not Part A reimbursement formula artificially reduces payments to providers when costs are actually going up.
 - ◇ Focus needs to move to pay for performance with a phasing approach with the phasing approach recommended by Med Pac which is 1) agreeing on quality measures, 2) paying for reporting and then 3) paying for performance.

Contact Information: Sue Sharpe, Co-Director, Whatcom Alliance for Healthcare Access
(360) 788-6531, e-mail: suesharpe@msn.com
www.whatcomalliance.org



Briefing Paper: Medicare Physician Access and Reimbursement (As of February 25, 2006)

The purpose of the Whatcom Alliance for Health Care Access (the Alliance) is to improve access for all Whatcom County citizens. A key strategy for success is to increase public awareness and advise policymakers on critical health policy issues impacting our community.

Background

Over the last few years Whatcom County residents have experienced a decline in Medicare patient's access to primary care doctors. ***In fact, during 2005, nearly all private primary care physicians closed their practices to new Medicare patients.*** The problem is on the rise, due in large part to a growing senior population and continued low Medicare reimbursements.

Although all working individuals pay the same rate into Medicare, those who retire in Washington State get far less out of the Program and are challenged to secure a medical home. When a patient's existing physician retires or leaves the area it is difficult to find a new doctor. Newcomers have an even greater challenge finding a medical home, Medicare eligible or not.

The reality of fewer physicians in general and fewer still, accepting new patients, is having a ripple affect in our community in several ways:

- ***The health of our community's most vulnerable populations, seniors and disables, is threatened.***
- ***Eroding physician access is forcing people into high cost emergency rooms to receive routine care.***
- ***The area's low reimbursement rates are affecting the community's ability to recruit and retain needed quality physicians.***

This problem will only get worse with rising health care costs and increased demand for services from baby boomers reaching Medicare eligibility. There has never been a more critical time for Congress to tackle appropriate physician payments to ensure access to care for our growing senior population.

Problem

Medicare, the single largest payer in the nation, reimburses physicians according to a complex formula that is tied to a number of indicators including the gross domestic product (GDP). The methodology was designed to constrain the rate of growth in Medicare physician spending and link it to growth in the overall economy. However, several factors tied to the calculation have contributed to payment reductions at a time when costs are rising and benefits are being expanded. For example, Congress has approved a new Medicare Part D drug benefit thus creating increased funding requirements for the Medicare program. **In the absence of tax increases to fund**

new programs such as the drug benefit, funding has been shifted onto the backs of Medicare providers, physicians and health plans who are forced to do more work while faced with deeper and deeper cuts in reimbursements.

According to a Medicare Trustees Report issued last March, physician practice costs and overall patient care are projected to increase by 15% over the same six-year period as a 20% plus decline in payments. These looming payment cuts along with increased costs in maintaining an office and the high cost of medical liability insurance premiums will **continue to put economic pressure on local physicians thus leading to ongoing problems in health care for all Medicare patients.**

It just isn't fair. Northwest physicians are recognized nationally for delivering efficient and prudent care yet the Medicare payment system penalizes those efficiencies. In 2000, the national average per patient reimbursement was \$5,500 while Washington States average reimbursement was only \$3,900. ***In fact, Washington State ranks 8th from the bottom in Medicare payments per beneficiary. The result is doctors in Washington State receive less to treat Medicare patients than doctors in most other states.*** Perverse incentives of the fee for service payment methodology results in and actually reward those parts of the country that drive up overall cost with higher utilization. The payment disparities have created a challenge for securing and retaining quality professionals in our state.

The payment methodology must be revised to reflect all relevant costs of running a physician practice equalize the payment disparities and introduce incentives to improve patient care and safety through emerging medical technologies. Additionally, annual updates must be reflective of practice cost inflation also known as the Medicare Economic Index (MEI) and not be influenced by politics and factors unrelated to health care delivery.

Where To From Here?

A permanent solution must be sought to fix the underlying problems with Medicare payment and provide incentives for physicians to open their practices to Medicare patients.

The Alliance believes that the following principles should guide the crafting of a credible Medicare physician reimbursement methodology:

- *New Medicare benefits should be adequately funded*
- *Updates to physician payments should be based on the Medicare Economic Index (MEI) or other applicable factors, which take into account practice cost inflation*
- Reimbursement incentives should be linked to quality outcomes and clinical effectiveness. Separate incentives should be awarded to professionals exceeding efficiency standards.

For more information on the Medicare Reimbursement and other health policy issues impacting local access to health care services please check out the Alliance website at www.whatcomalliance.org or call the Alliance office at (360)788-6531.