



## **Briefing Paper: Medicare Physician Access and Reimbursement (As of November 14, 2005)**

### **Background**

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. One such issue, the erosion of Medicare reimbursement, is threatening the health of our senior and disabled populations' right here in Whatcom County.

Over the last few years Whatcom County has seen a decline in access for Medicare patients. ***In 2005 nearly all private primary care physicians closed their practices to new Medicare patients due*** in large part to a series of Medicare payment cuts. When a patient's existing physician retires or leaves the area problems exist finding a new physician. Newcomers have an even greater challenge finding a medical home, Medicare eligible or not.

The impact is having a ripple affect in our community in several ways:

- ***Physicians are being asked to treat more Medicare patients when they don't have the capacity to meet the needs of the current Medicare population***
- ***Eroding physician access is forcing people into high cost emergency rooms, and***
- ***The area's low reimbursement rates are affecting the community's ability to recruit and retain needed quality professionals. (Washington State has some of lowest Medicare reimbursement rates in the country and ranks near the bottom nationally in Medicare payments per patient)***

This problem will only going to get worse with the rising costs and increased demand for services from baby boomers reaching Medicare age. Health care access is a growing crisis locally and on a statewide and national level. 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.

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. In addition, Congressional action to add a Medicare drug benefit with inadequate funding is also having a negative impact.

***Of concern to the Alliance and the health care community is a proposed 26% reduction in Medicare fees over the next six years with a 4.4% cut scheduled for January 2006.*** 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 the 26% decline in payments. These looming payment cuts along with increased practice costs and steep medical liability insurance premiums have forced many local physicians to reduce Medicare patient access.

Northwest physicians are recognized nationally for delivering efficient and prudent care yet the Medicare payment system penalizes those efficiencies. Perverse incentives of the fee for service payment methodology results in and actually rewards those parts of the country that drive up overall costs with higher utilization. The payment methodology must be revised to reflect all relevant costs of running a physician practice 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?**

So what can be done between now and January 1, 2006 when the new payment rates go into effect?

***#1. The proposed 4.4% cut must be stopped by passing Senate bill S1932 which contains a provision that would require the physician fee schedule be updated by a factor of at least 1% in 2006. This, or other comparable legislation, would mitigate further erosion in patient access. Both the House of Representatives and the Senate must be encouraged to work together and pass legislation before the end of the year. Contact our Washington State elected officials and encourage them to protect health care access in our community.***

***#2. A permanent solution must be sought to fix the underlying problems with Medicare payment and provide incentives for physicians who provide quality and efficient care 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:

- *Recognition that unless Congress acts now, the Medicare physician payment methodology is ultimately going to crush the Medicare system by drastically reducing access to care.*
- *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.*

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](http://www.whatcomalliance.org) or call the Alliance office at (360)715-6531.