

Medicare as a Standard

AN UNSUSTAINABLE POLICY THAT PUTS PATIENTS AT RISK

Medicare Reimbursement

A BRIEF OVERVIEW

Medicare pays for physician and other healthcare professional services based on a list of services and their payment rates, called the physician fee schedule. The Centers for Medicare & Medicaid Services (CMS) determines the payment rate for each service based on the clinician work required to provide the service, expenses related to maintaining a practice and professional liability insurance (PLI) costs. The values given to these three components are adjusted by variations in the input prices within different markets. That total is multiplied by a standard dollar amount, called the fee schedule's conversion factor, to arrive at the payment disbursed.



Medicare serves as a minimum benefit standard for out-of-network emergency care.

A LEGISLATIVE HISTORY

Prior to 2015, the federal government took a sustainable growth rate (SGR) approach to setting physician Medicare fees. The SGR was the result of a 1997 deficit reduction law that called for setting Medicare physician payment rates through a formula based on economic growth. This worked for a few years until 2002, when doctors suddenly saw a 4.8 percent decrease in payment. Faced with future double-digit reductions in Medicare physician payment rates, clinicians took action, and Congress voted to prevent the cuts. This approach to governing continued for 13 years and was widely criticized as piecemeal and unsustainable until Congress passed the Medicare Access and CHIP Reauthorization Act (MACRA) in 2015.

Medicare as a Standard Is Unsustainable Under Current Law

When Congress passed MACRA, physicians avoided a double-digit reduction in Medicare rates. MACRA also established five years of a 0.5 percent payment rate update, followed by five years of no increases in the payment rate.

While it is believed to be a better system than the SGR, MACRA's stagnant reimbursement rate is unsustainable as a standard for healthcare services and puts both clinicians and patients at risk. When payment rates do not keep pace with inflation or the cost of providing care, patients' access to physician care may be negatively impacted because there will not be enough clinicians to provide care to the aging population.

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Current Medicare policy will not allow Medicare rates to keep pace with general inflation or the increased costs of practicing medicine.



From 2001-2018, while general inflation increased 42 percent and expenses with practicing medicine increased 32 percent, Medicare physician payment rates only went up 6 percent.



According to a CMS Actuary Report, under current policy, Medicare prices would be just one-third of the Medicare Economic Index – the index Medicare uses to estimate the cost to run a physician office – by 2087.



A 2017 study in Health Affairs Magazine, which looked at Medicare reimbursement rates through 2030, showed that even high-value physician providers in that year would receive only 9.5 percent more than they did in 2001. General inflation is estimated to increase by about 79 percent by 2030.



CMS concluded that “If Medicare payments were to fall to a fraction of payments based on cost drivers, there would be reason to expect that access to physician services for Medicare beneficiaries would be severely compromised.”

Medicare physician pay doesn't go nearly as far as it used to. Adjusted for inflation in practice costs, Medicare physician pay has declined 19 percent from 2001 to 2018 or by 1.3 percent an average per year.

MEDICARE UPDATES COMPARED TO INFLATION (2001 – 2018)

