

Medicare Reform: Physicians Escape 4.5 Percent Cut for 2004

Medicare reform legislation will increase payments 1.5 percent in 2004 and 2005

Instead of the 4.5 percent cut you've been bracing for, physicians will receive at least a 1.5 percent increase next year and in 2005, if the Medicare reform plan passes Congress.

The Medicare reform plan weighs in at 681 mind-numbing pages of legalese, but most of the news for physicians is very good. Besides the 1.5 percent increase for the next two years, the bill would help physicians who serve in "scarcity" areas such as rural locations.

From 2005 to 2008, primary-care physicians and scarce specialists operating in "scarcity" areas would receive a 5 percent add-on. This is intended to be an incentive to provide care in areas that lack primary-care physicians or certain rare specialists.

The bill includes Sen. Charles Grassley's (R-Iowa) pet plan to set a floor of 1.0 on the geographic payment adjuster for physician services. This means that in any areas where the work index for physicians is less than average, the payments will be raised to the average. Grassley had included this provision in the tax bill last spring, but it was struck down.

Another goodie for physicians: Doctors who work through rural healthcare clinics or federally qualified community health centers would be exempt from the skilled nursing facility prospective payment system. Now, doctors who provide care in clinics to patients who end up in SNFs risk having their payments bundled into the SNF payment. But under this provision, rural clinics would be able to bill Medicare directly for services they provide to SNF patients.

The bill would require Medicare to start an electronic prescription program allowing physicians to send prescriptions in electronic form to pharmacies and also receive information electronically. HHS would set standards to ensure that electronic prescriptions were secure and reliable. The bill would also give physicians, especially rural ones, grants to develop electronic prescription services.

The bill would also increase payments for renal dialysis services by 1.6 percent next year. But ambulatory surgery centers aren't so lucky - they receive an increase of the consumer price index minus 3.0 percent for 2004, and no increase at all in 2005-2009. Not only that, but ASCs will have updates from 1998-2002 retroactively reduced.

Medicare will venture further into preventive care if the new bill passes as written. Starting in 2005, the program will cover an "initial physical examination" for new beneficiaries, including a "physical examination (including measurement of height, weight, and blood pressure, and an electrocardiogram) with the goal of health promotion and disease detection." It also includes education and preventive services, but not clinical lab tests.

The program will start covering cardiovascular screening blood tests, diabetes screening tests, and some mammography services.

Medicare will launch a three-year demonstration program with physicians to test disease management for chronically ill beneficiaries in at least four sites, two of which should be in urban areas. Physicians will assess patients and serve as the primary point of contact, and other private-sector and nonprofit groups will advise.

The bill throws lots of bones to various interests. It includes a floor for practice expense, malpractice and geographic indexes for physicians practicing in Alaska, and lets podiatrists, dentists and optometrists contract privately. It calls for a General Accounting Office study on access to physician services, a survey of different data sources to set geographic expenses for physicians, and MedPAC reports on changes to physician payments and payments to cardiothoracic surgeons.

One provision in the bill could hurt physicians in the long run. It calls for Congress to consider making changes if Medicare costs rise too fast. It would be triggered entirely by the calculation that the Part B program relies on general revenues for at least 45 percent of its costs. In other words, hospital spending can rise with no consequences, but a steep rise in Part B spending could trigger a crackdown.

Some experts warn that this could unfairly hurt Part B providers, even though medical care is moving away from inpatient hospital care toward other settings.