

## **Physician Payment**

**Position:** AMSNY requests that Congress continue to prevent Medicare-provided reimbursement cuts and to support a better formula for reimbursement and payment issues.

**Background:** In its March 2005 *Report to Congress*, the Medicare Payment Advisory Commission (MedPAC) recommended that the Sustainable Growth Rate (SGR) methodology be replaced with a new formula that reflects the projected change in input prices, less a productivity adjustment. The Commission also included a broad array of “pay for performance” recommendations that would integrate quality and efficiency measures within Medicare’s physician payment methodology.

The Medicare physician reimbursement program affects faculty practices and doctors all over the country. 1/6 of all physicians who participate in Medicare are academic physicians. 1/3 of all medical school funding comes from clinical sources, ¼ of which is provided through Medicare. Fortunately, Congress has intervened with stopgap measures that prevented actual reimbursement cuts this year, allowing medical school faculty practices to continue providing high quality care to Medicare beneficiaries. Despite these actions, Medicare reimbursement rates for physician services have fallen woefully short of the increased cost of delivering quality services to patients. The current reimbursement formula indicates that next year we face a 10% cut.

Without Congressional action the Medicare physician payment cuts, in tandem with growing practice costs, will be debilitating for physician practices. Escalating costs and shrinking reimbursement rates will create serious access issues in the future. If Medicare reimbursement rates do not increase, physicians will be forced to consider dropping out of the Medicare program. This will be especially true for more experienced doctors who have more flexibility in who they treat. Medicare beneficiaries will have less access to the best doctors and lack of funding will hinder the process of increasing physicians in underserved areas.

According to a survey released by the American Medical Association in April 2005, 38% of physicians reported that they will decrease the number of new Medicare patients they will accept if Medicare payment rates are cut by 5%. 18% reported that they would decrease the number of established Medicare patients that they treat. Furthermore, 61% of physicians reported that a 5% cut would lead them to defer purchases of new equipment; 57% said they will reduce time spent with Medicare patients; 49% will stop providing services; and 24% will shift services from the office to the hospital.

Medicare cuts jeopardize the mission of academic medical centers where institutions rely on this type of funding to help support teaching and research and threatens the ability of our physicians to provide quality services. We ask for Congress to intervene once again in preventing the proposed cuts to Medicare physician payment.