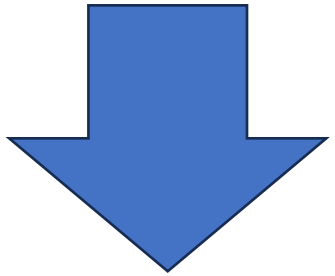
Fixing the Foundation: New Proposed Reforms for Medicare's Fee Schedule

Ateev Mehrotra
Harvard Medical School

Medicare's Physician Fee Schedule

- Payment for thousands of services
- Currency is in RVUs
- Used both by Medicare and almost every other payers



Drives specialty choices & clinician supply

Building block for new payment models

Access to care for patients and overuse of care

30 years in, what are the problems with the fee schedule

- Bias in the methods
- Not able to adapt to quickly changing practice

Physicians asked to review a clinical vignette which describes the procedure and then estimate how long it takes

- Low response rate and few respondents
- Bias towards giving longer times

Time estimates using objective data 27% shorter on average

30 years in, what are the problems with the fee schedule

- Bias in the methods
- Not responsive enough to changing practice

Radiologist use a new technology (e.g., AI) to allow them to read a film more quickly

Surgeon has new equipment that allows for a more efficient surgery

Follow-up care is no longer needed

Starting in the pandemic, patients are asking lots of questions of their doctors via patient portals. Unpaid care.

THE WALL STREET JOURNAL.

Physician Panel Prescribes the Fees Paid by Medicare

By Anna Wilde Mathews And Tom McGinty
Oct. 26, 2010 7:48 pm ET

Three times a year, 29 doctors gather around a table in a hotel meeting room. Their job is an unusual one: divvying up billions of Medicare dollars.

The group, convened by the American Medical Association, has no official government standing. Members are mostly selected by medical-specialty trade groups. Anyone who attends its meetings must sign a confidentiality agreement.

Yet the influence of the secretive panel, known as the Relative Value Scale Update Committee, is enormous. The Centers for Medicare and Medicaid Services, which oversee Medicare, typically follow at least 90% of its recommendations in figuring out how much to pay doctors for their work. Medicare spends over $60 billion a year on doctors and other practitioners. I private insurers and Medicaid programs also use the federal system in creating their own fee schedules.

The RUC, as it is known, has stoked a debate over whether doctors have too much control over the flow of taxpayer dollars in the $500 billion Medicare program. Its critics fault the committee for contributing to a system that spends too much money on sophisticated procedures, while shorting the type of nuts-and-bolts primary care that could keep patients health from the start—and save money.

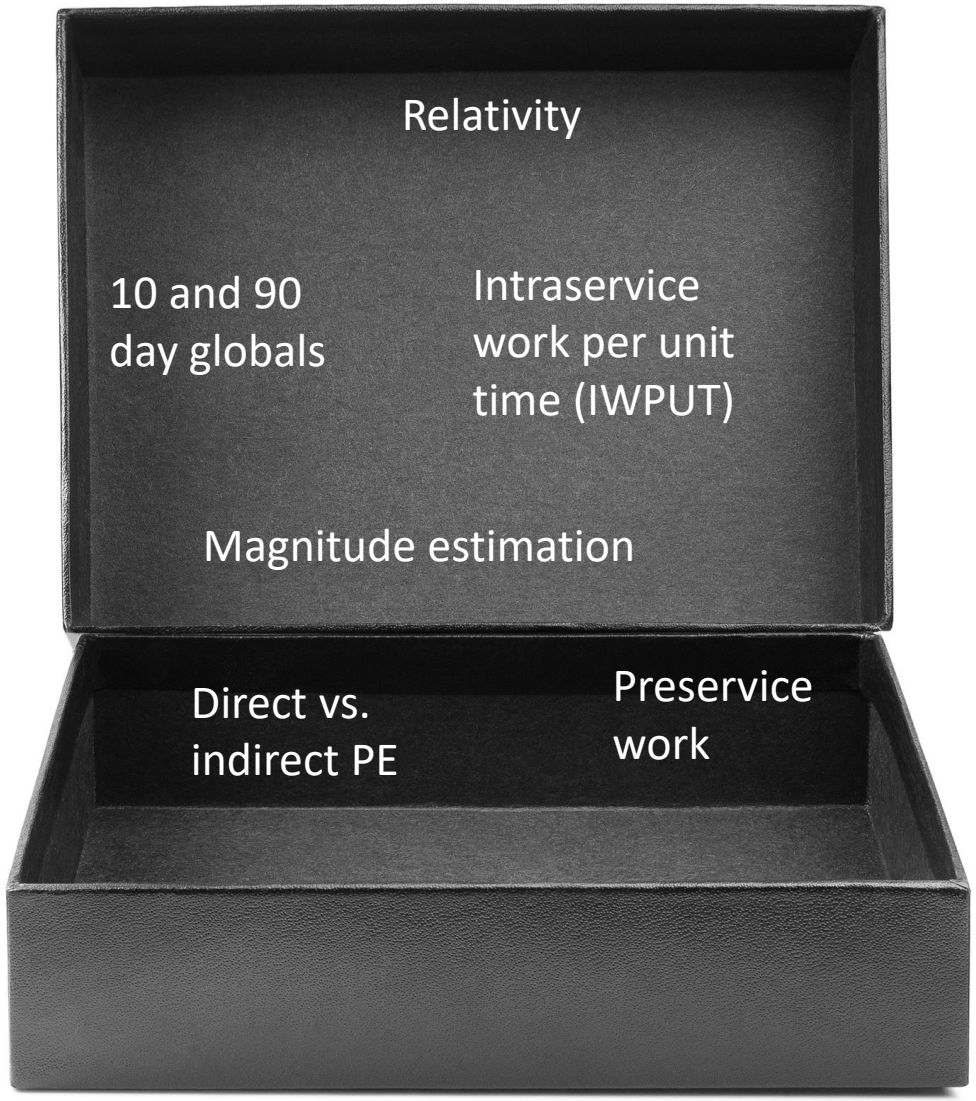
"It's indefensible," says Tom Scully, a former administrator of the Medicare and Medicaid agency who is now a lawyer in private practice. "It's not healthy to have the interested party essentially driving the decision-making process."

Plenty of factors contribute to the spiraling costs of Medicare, which rose nearly 9% in 2009. Sheer demographics will add millions of new beneficiaries each year as the baby boomers be turning 65. Other areas of Medicare—including the prescription-drug benefit and nursing-home expenses—are growing faster than payments to doctors.

Moreover, the RUC's recommendations in theory affect only how doctors' piece of the Medicare pie is divided, not how big it is. RUC chairwoman Barbara Levy says the panel is moving

Barriers

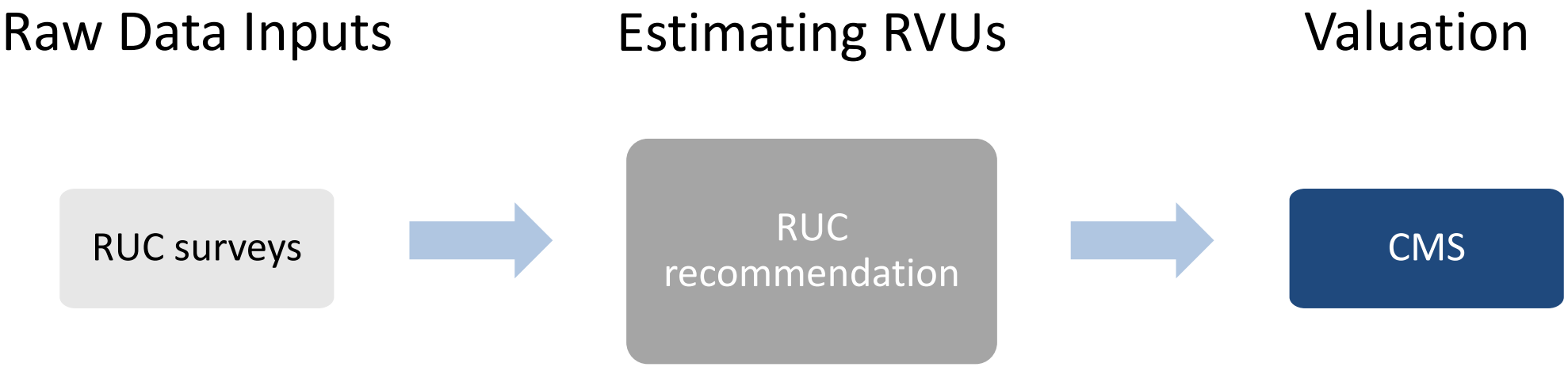
AMA/Specialty Society RVS Update Committee



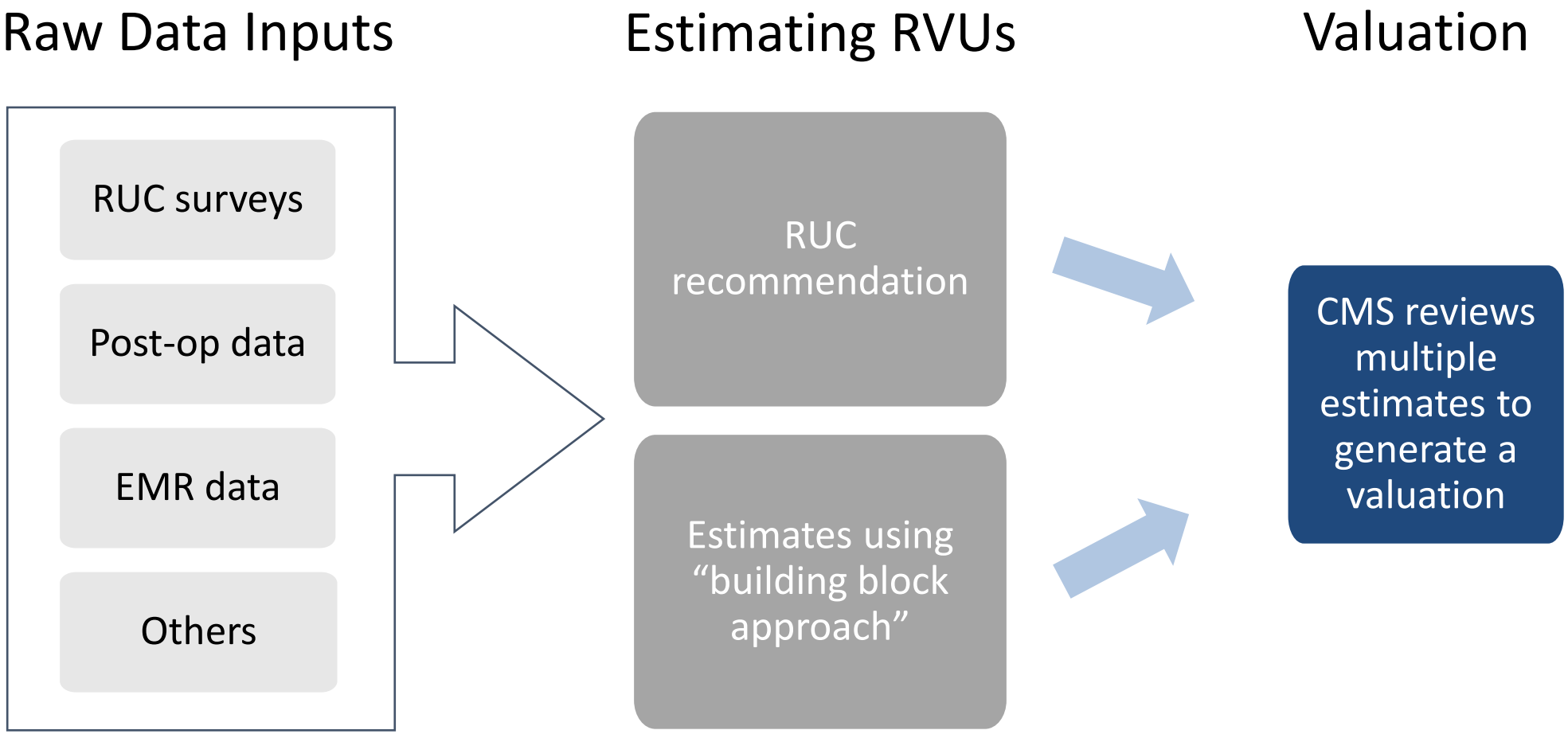
In 2023 Medicare indicated interest in changing the process

- …interested in ways that CMS….can improve data collection and to make better evidence-based and more accurate payments for E/M and other services.
- …make more timely improvements to our methodologies to reflect changes in the Medicare population, treatment guidelines and new technologies that represent standards of care
- …is current AMA RUC is the entity that is best position to provide recommendations to CMS …or if another independent entity would better serve CMS …in providing these recommendations

Current system for work RVUs



CMS could use more data and alternative systems to estimate RVUs



Collapse many underused codes

Addressing multiple procedure discounts

Developing new payment models for digital health care