

Doctor's Digest PODCAST "Medicare and Healthcare Reform"

Hello and welcome to this new series of podcasts brought to you by the publishers of *Doctor's Digest*, bridging the gap between the business of medicine and the practice of medicine, with single-topic manuals that provide practical solutions from the experts.

With so much talk in the air about national healthcare reform, it is hardly surprising that Medicare reform has become a primary focus. In fact, many say that reforming Medicare and shoring up the physician payment system are going to be the real key to any reform effort. As James Rohack, MD, president of the American Medical Association, points out, "When payments don't cover the cost of providing 21st century medical care, it is difficult for physicians to continue to care for all Medicare patients and make quality improvements to their practice."

In fact, 82% of almost 12,000 physicians surveyed by The Physicians' Foundation between May and July last year said their practices would be "unsustainable" if proposed cuts to Medicare reimbursements were to be made. Twelve percent of these physicians had already closed their practices to Medicare patients, and over a third said that Medicare reimbursement was covering less than their cost of providing care to their patients.

In an effort to address this critical problem, the American College of Physicians (ACP) has recommended that Congress fund a 10% bonus for all Medicare services performed by primary care physicians, for an 18-month period. A letter from ACP to the administration in Washington stated that "Without funding to stabilize primary care practices, many will go under and have to close" due to slower collections, the credit crunch, uncompensated care, and investment losses.

Clearly, Medicare overhaul is not going to come cheaply. According to the White House Office of Management and Budget, overhaul of the Medicare physician pay system is expected to cost \$311 billion between 2010 and 2019. The president would like for these measures to be exceptions to his proposal that lawmakers be required to pay fully for all new entitlement and tax-cut spending. By exempting the physician payment measures from those requirements, lawmakers could more easily achieve a complete overhaul of the payment system. The House could, in its fiscal 2010 budget, exempt up to \$38 billion worth of a physician pay boost from pay-as-you-go rules, but there is no such break in the Senate.

Nevertheless, such an overhaul could be the key to transforming the healthcare system in this country, according to the Commonwealth Fund, a private foundation supporting high-performance healthcare: "Medicare could lead the way by instituting a system for the rapid testing, adoption, and spread of innovative payment methods. These should include rewarding high-performing healthcare organizations for results, not for the quantity of services delivered." That last point merits amplification: As Bill Bristow, a partner in DoctorsManagement [*sic*], Knoxville, Tennessee, points out, under the current Medicare system, the best hip replacement surgery is reimbursed at the same rate as the worst job for the same procedure: "Consequently," he adds, "the only way to increase revenue or income is to 'do more' and not necessarily to 'do better.' How quality is to be measured becomes the unknown and subjective and, in my experience, becomes the loophole for the unscrupulous."

The Commonwealth Fund's annual report lists the three most promising changes to Medicare payment: one, offering financial rewards for top-performing providers; two, paying a global fee for acute hospital episodes, including 30-day follow-up care; and three, recognizing physician practices or health systems that serve as patient-centered medical homes.

According to the Fund's report, each of these methods of paying providers would offer them an incentive to improve their quality of care, to coordinate care across a variety of care

settings, and to prevent avoidable hospitalizations and treatment complications. In summary, the report concludes that on issues of cost, quality, and coverage, a transformed Medicare payment system is the key to a transformed health system in America.