Medicare reimbursement change meant to save money has opposite effect

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Increased Medicare payments to physicians for outpatient surgeries for bladder cancer have led to a dramatic rise in the number of these procedures being performed and an overall increase in cost to the healthcare system. That is the conclusion of a new study published early online in *Cancer*, a peer-reviewed journal of the American Cancer Society. The findings indicate that some Medicare policies aimed at decreasing costs may instead be contributing to an increase in healthcare expenditures.

Because bladder cancer is the most expensive cancer to treat, its management places a significant economic burden on the United States healthcare system, which costs two to four times that of healthcare systems in any other industrialized nation. In an attempt to reduce costs, in 2005 Medicare increased physician reimbursement for office-based endoscopic bladder procedures, such as biopsies. Moving these procedures from the more expensive inpatient hospital setting to the presumably less expensive outpatient office setting could cut costs provided that they are performed for the same indications, are equally efficacious, and are tolerable to patients.

The reimbursement change was expected to alter physician incentives, leading to increased use of outpatient endoscopic surgery, a decline in hospital-based endoscopic surgery and, consequently, a reduction in healthcare-related costs. To evaluate this hypothesis, Micah Hemani, MD, and Samir Taneja, MD, of the Division of Urologic Oncology at the New York University Langone Medical Center and their colleagues
assessed treatment patterns in their practice before and after the Medicare change in physician reimbursement.

The investigators found that the number of outpatient bladder surgeries doubled after Medicare reimbursements rose, but the number of hospital-based surgeries did not significantly decline. As a result, there was a 50% increase in overall Medicare costs. While there was an increase in patient referrals for outpatient surgeries, it was not sufficient enough to account for the increased use of these procedures. There was, however, a rise in the redundant use of outpatient surgery on patients who also underwent hospital-based surgery for the same condition. Also, while the number of outpatient procedures increased, the likelihood that a procedure would lead to a bladder cancer diagnosis declined. "We believe these trends are disturbing as they may reflect both diagnostic and therapeutic over-utilization of office-based endoscopic bladder surgery," the authors wrote.

The reasons for this surge in use of outpatient procedures are unknown but might include improvements in office-based equipment for surgery, improved physician comfort and skill with these operations, and the incentive of receiving increased financial reimbursement. Whatever the cause, these findings suggest that Medicare financial incentives for the outpatient treatment of bladder cancer may actually increase overall costs without improving care.

Dr. Hemani noted that the study's results illustrate a need for clinical guidelines for these office-based surgeries, as well as a need for policy measures that ensure accountability for physicians who perform them.

"Given the ongoing healthcare debate in Congress regarding reforming the current system, one wonders if many of the changes currently being proposed in Washington might not have similar effects to what we are seeing in this one isolated example," said David Penson, MD, MPH, of
Vanderbilt University in Nashville, who was not involved with the study but wrote an accompanying editorial. "Sometimes, policies have the exact opposite effect of what was intended," he cautioned.


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