Study suggests eliminating Medicare consultation payments associated with a net increase in spending

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A study of Medicare claims data suggests that eliminating payments for consultations commonly billed by specialists was associated with a net increase in spending on visits to both primary care physicians and specialists, according to a report published Online First by *Archives of Internal Medicine*.

Before 2010, Medicare payments for consultations were substantially higher than for office visits of similar complexity that were commonly billed by primary care physicians (PCPs). In January 2010, Medicare eliminated consultation payments from the Part B Physician Fee Schedule and increased fees for office visits. The change was intended to be budget neutral because it would decrease payments to specialists but increase payments to PCPs, according to the study background.

Zirui Song, Ph.D., of Harvard Medical School, Boston, and colleagues examined the relationship of this policy with spending, volume and coding for office visits in the first year of implementation. Researchers examined outpatient claims from 2007 through 2010 for more than 2.2 million Medicare beneficiaries with Medicare Supplemental coverage through large employers.

"Medicare's elimination of consultations was associated with a 6.5 percent increase in overall spending for outpatient encounters in 2012. This increased spending was explained by higher fees paid for office

visits and by increased intensity of coding. Our results suggest that the policy did not achieve its goal of budget neutrality in the first year. However, it did appear to narrow the gap in Medicare payments for office encounters between PCPs and specialists," the authors comment.

Researchers note that an average of $10.20 more was spent per beneficiary per quarter on physician encounters after the policy (6.5 percent increase), but the total volume of physicians visits did not change significantly. The increase in spending was largely explained by higher office-visit fees from the policy and a shift toward higher-complexity visits to bother specialists and PCPs, according to the study results.

"Our evaluation of Medicare's elimination of consultations offers potential lessons for policymakers. Primarily, the volume effects associated with fee cuts will depend on the nature of the service," the authors conclude. "Finally, the inherent flexibility and subjectivity of code definitions could lead to potentially undesirable coding behavior in response to fee-based policies, as numerous areas in the physician fee schedule feature a gradient of service intensities captured by a set of closely related codes."

In an accompanying editorial, Patrick G. O'Malley, M.D., M.P.H., of the Uniformed Services University, Bethesda, Md., writes: "Primary care has been marginalized, and our own professional societies have encountered numerous obstacles in advocating for the preeminence of primary care."

"Fix the pay differential, and make providers' lives easier. How to do this may seem complicated, but it is not. The main barrier is for our professional leadership at every level, whether in the clinic, hospital, medical school, health system, professional society, government agencies or society in general, to acknowledge the problem and then take

responsibility and act," O'Malley continues.

"We need a more definitive and more intentional workforce policy plan, and given the current morale of our adult primary care workforces, it will have to involve higher and more parity in pay as well as substantial improvement in work hours and working environment," O'Malley concludes.

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