

Medicare, Medicare Advantage physician rates nearly equal

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Medicare Advantage plans managed by private insurers pay physicians prices that are similar to traditional Medicare rates, according to a new USC-led study.

More and more Medicare beneficiaries are enrolling each year in Medicare Advantage, but experts knew little about their physician reimbursement differences or similarities.

"With 1 in 3 beneficiaries enrolled in Medicare Advantage, it is important to look under the hood and get a better understanding of how these plans operate," said Erin Trish, the study's lead author and an assistant research professor at the USC Schaeffer Center for Health Policy and Economics. "We found that physician reimbursement rates in Medicare Advantage are very similar to traditional Medicare. This is very different than what we see in the commercial insurance market, where insurers tend to pay physicians more than Medicare - sometimes much more."

The traditional Medicare program is administered by the federal government. The Medicare Advantage program instead gives beneficiaries a choice of enrolling with a private health plan that has contracted with the government to provide health insurance benefits to Medicare beneficiaries.

For the study published on July 10 in *JAMA Internal Medicine*, Trish and her colleagues at the Schaeffer Center analyzed a sample of 144 million

Medicare, Medicare Advantage, and commercial claims filed from 2007 to 2012 in metropolitan areas. They compared reimbursement rates for 11 common procedures, from a doctor's visit to a colonoscopy, and found that the mean Medicare Advantage reimbursement rate nearly matched the traditional Medicare rate in many cases.

For example, the mean rate for an office visit in Medicare Advantage was 97 percent of the traditional Medicare rate. Medicare Advantage's mean reimbursement rate ranged from 91 percent of traditional Medicare's rate for the physician fee for a cataract removal in an ambulatory surgery center to 102 percent of traditional Medicare for a complex emergency department visit.

The researchers concluded that traditional Medicare rates appear to anchor the prices paid by Medicare Advantage.

The researchers also analyzed prices paid for commercial patients to see how they compared to Medicare's. For the most part, the insurer was paying higher prices for procedures for its commercial patients. However, they did find a few services - including lab tests and durable medical equipment - where the commercial prices were actually lower than traditional Medicare.

For example, the mean commercial rate for a complete blood count lab test billed by an independent lab was about 70 percent and for a walker it was about 71 percent of traditional Medicare's rates. The researchers found that the insurer also took advantage of these lower payment rates for their Medicare Advantage enrollees.

"There are a few important examples where Medicare's reimbursement formulas are outdated and private insurers have been able to negotiate lower prices than Medicare," said coauthor Paul Ginsburg, who directs the USC-Brookings Schaeffer Initiative on Health Policy. "Political

barriers slow down Medicare's ability to follow the private sector when markets lead to lower prices. Medicare Advantage plans have not been constrained and obtained lower prices for enrollees."

The USC Schaeffer Center is a leader in health care policy research. Its partnership with the Center for Health Policy at Brookings—USC-Brookings Schaeffer Initiative on Health Policy—aims to inform the national health care debate with rigorous, evidence-based analysis leading to practical recommendations.

Implications for Medicare reform

As recently as last fall, House Speaker Paul Ryan suggested that privatization would reduce health care costs for the federal government. The current Congress has made no formal legislative proposal, but one idea discussed in policy circles is the "premium support model," which would provide beneficiaries with subsidies or vouchers that they could use to purchase insurance from private insurers.

The findings from the USC study suggest that the details of such a proposal - in particular, whether the traditional Medicare program would continue to operate alongside private plans or whether it would be a complete privatization of the program - are important for predicting the potential impact of reform.

"It is unclear what, if anything, would anchor clinician price negotiations absent the presence of traditional Medicare's rates, but it is likely that the dissolution of traditional Medicare would result in increased clinician prices paid by private plans serving Medicare beneficiaries - although projections of the fiscal impact of such a development would discourage such a policy change," the researchers wrote.

However, Congress is unlikely to discuss premium support or other such

Medicare reforms this year.

Medicare compared to Medicare Advantage

The Medicare Advantage program has existed in some form since the 1970s, but enrollment has spiked in the past decade. In 2008, 22 percent - about 9.7 million beneficiaries - were enrolled in Medicare Advantage. Now, 17.6 million beneficiaries, or a third of all Medicare participants, are enrolled in Medicare Advantage.

In the traditional Medicare program, the federal government sets provider reimbursement rates according to certain payment formulas. In the commercial market, however, private health insurers negotiate payment rates with providers.

Medicare Advantage plans sit somewhere between these two ends of the spectrum. On the one hand, they operate in the context of the traditional Medicare program, but on the other hand, they are often the same private health plans that operate in the commercial health insurance market. Prior to this study, there was little empirical evidence about how these Medicare Advantage plans pay physicians and whether that reimbursement more closely resembled payments made by the traditional Medicare program or by private health plans in the commercial market.

The researchers found that "physician reimbursement in Medicare Advantage is more strongly tied to traditional Medicare than to commercial prices, but Medicare Advantage plans take advantage of favorable commercial prices for services for which traditional Medicare overpays."

Comparing Medicare with commercial prices

The researchers analyzed 15 million claims for Medicare Advantage beneficiaries, 120.7 million claims for traditional Medicare enrollees, and 8.5 million claims for commercial enrollees.

They compared physician reimbursement rates for various services such as an office visit, emergency visit, knee replacement, cataract removal, colonoscopy, as well as rates for laboratory tests and medical equipment, such as a walker or a mask for respiration. The researchers focused on claims data from metropolitan areas.

Rates paid by Medicare Advantage plans were often similar to Medicare's in many cases. For example, the mean rate for an office visit in Medicare Advantage was 97 percent of the traditional Medicare rate. The mean physician fee for an outpatient colonoscopy was 99 percent of the traditional Medicare rate.

The commercial insurer was paying more than Medicare, on average, for all the physician services they evaluated, and mark-ups over traditional Medicare's rates were higher for procedures that require specialists. In the commercial market, the mean rate for an office visit was 107 percent of the traditional Medicare rate, while the mean physician fee for an outpatient colonoscopy was 152 percent of the traditional Medicare rate.

The researchers noted that there are limitations to the findings. The Medicare Advantage and commercial data are from a single insurer and thus, may not represent all private insurers. However, it is an insurer with large Medicare Advantage market share, they noted, so its rates may well reflect the market.

Trish said that researchers are increasingly focused on studying the pros and cons of Medicare Advantage because of its increasing popularity.

"We're at the point where a third of Medicare beneficiaries are enrolled

in a Medicare Advantage plan," Trish said. "That's a lot of people and a lot of money, so it's important to understand how this market works."

More information: Erin Trish et al, Physician Reimbursement in Medicare Advantage Compared With Traditional Medicare and Commercial Health Insurance, *JAMA Internal Medicine* (2017). [DOI: 10.1001/jamainternmed.2017.2679](https://doi.org/10.1001/jamainternmed.2017.2679)

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