

Medicare may overpay for many surgical procedures

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Medicare appears to be overpaying surgeons for many medical procedures, according to a new RAND Corporation analysis.

Writing in the *New England Journal of Medicine*, Andrew Mulcahy and colleagues suggest that [federal officials](#) should incorporate ways to more objectively measure the amount of [postoperative](#) care surgeons provide to patients—the patient care item that is at the center of the dispute.

Information that Medicare began collecting in 2017 from a sample of the nation's surgeons suggests that they provide only a small share of the postoperative care that is built into the payments they receive from Medicare.

Modeling done by Mulcahy and his colleagues suggests that if Medicare payments were adjusted to remove the money allocated for the undelivered postoperative care, reimbursements for the procedures in question would be reduced by 28% or about \$2.6 billion in 2018.

"There is a growing body of evidence that suggests that Medicare pays surgeons for postoperative care they mostly do not provide," said Mulcahy, lead author of the perspective and a senior policy researcher at RAND, a nonprofit research organization. "Medicare should adjust payments to reflect the care actually provided."

Because Medicare caps how much it spends on physicians and related care each year, overpayments to surgeons for procedures results in lower payment rates for other services like office visits. Mulcahy and his colleagues modeled that lower payments for procedures would result in a net increase in payments to primary care providers.

For most surgical procedures, Medicare and most private insurers provide physicians a single bundled payment that covers both the procedure and related postoperative care over a period of up to 90 days. About 25% of Medicare payments for procedures is for bundled postoperative care.

In 2015, the federal Centers for Medicare and Medicaid Services (CMS) proposed removing postoperative visits from bundled payments in response to chart reviews by auditors that suggested far fewer postoperative visits were provided by surgeons than the agency has assumed when setting Medicare payment rates. Surgeons would have billed Medicare for each individual postoperative visit.

Surgical physician groups opposed the changes and the U.S. Congress passed legislation preventing any payment changes until CMS collected more information about the number and level of postoperative visits provided by surgeons.

Estimates about the number of postoperative visits performed by surgeons have come from industry groups, such as surgical societies, that survey surgeons to ask them to estimate the number and level of postoperative visits required to care for typical patients undergoing different procedures.

That information has been used to help set the bundled reimbursement rates, and CMS has no mechanism to confirm that the allotted amount of postoperative care is actually provided by the [surgeons](#) being paid for procedures.

RAND research has found that while Medicare pays for a postoperative visit following nearly all minor surgical procedures, just 4% of minor procedures reviewed had a visit. For major surgical procedures, only 39% of the postoperative visits paid for by Medicare were provided.

Mulcahy and his colleagues suggest that federal officials should move to a system for setting reimbursement rates that does not depend solely on physician surveys. Other inputs that should be considered include billing claims, quality-improvement databases and electronic health records, which all provide some information about the number of postoperative

visits actually provided.

"Such a system would permit more-direct adjustments to valuations made on the basis of new, more objective information," Mulcahy said.

"Ultimately, patients bear the cost of distortions in [payment](#) rates, which result in reduced access to underpaid services and an inflated cost-sharing burden for overpaid services."

Provided by RAND Corporation

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