



Highlights of [GAO-05-60](#), a report to congressional committees

Why GAO Did This Study

Medicare's payments for the costs physicians incur in operating their practices are based on two sets of estimates: total practice expenses and resource estimates for individual services. Total practice expense estimates were derived from American Medical Association (AMA) physician surveys, which the Centers for Medicare & Medicaid Services (CMS) refines with supplemental data submitted by medical specialty societies. Resource estimates for individual services were developed by expert panels and refined by CMS with recommendations from another expert panel. In response to a mandate in the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000, GAO evaluated CMS's processes for updating total practice expense and resource estimates and whether CMS will have the data necessary to update the fee schedule at least every 5 years as mandated by law.

What GAO Recommends

GAO recommends that CMS modify its review of supplemental data submissions, base changes to the expert panel's recommendations on data analysis and a documented, transparent process, and develop and implement a plan to develop data for the mandated updates. CMS said it had taken or planned to take most actions recommended, but its actions do not obviate the need for the recommendations. AMA agreed with the findings but not with all of GAO's conclusions.

www.gao.gov/cgi-bin/getrpt?GAO-05-60.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Laura A. Dummit at (202) 512-7119.

MEDICARE PHYSICIAN FEE SCHEDULE

CMS Needs a Plan for Updating Practice Expense Component

What GAO Found

CMS reviews supplemental data from medical specialties on total practice expenses to determine whether it should use the data, but aspects of CMS's review may result in its not utilizing the best data. CMS's review is necessary because it helps protect against perceived or actual bias in the estimates. Risk of bias exists because only specialties that believe their Medicare fees are too low are likely to submit supplemental data, and the data are not audited. CMS, however, may still use certain data submissions that are not representative of physician practices within a specialty. CMS also may reject some data that are more representative of a specialty's total practice expenses than the data currently used for that specialty. In addition, CMS reviewed a 2002 data submission for accuracy, which is an important additional check, yet when the data did not meet the accuracy test, CMS did not reject the data. CMS has not stated whether it will review the accuracy of all supplemental data submissions.

Stakeholders such as specialty societies and AMA said the expert panel improved resource estimates for individual services because of the rigor of its evaluation process. CMS and specialty societies generally accepted the panel's estimates because the panel represented a broad range of specialties and its collaborative evaluation process became increasingly systematic. CMS implemented almost all of the panel's estimates but appropriately changed some estimates that conflicted with Medicare coverage rules and changed others to make them consistent across services. In modifying other estimates, however, CMS did not always rely on adequate data or explain its rationale. Certain physician groups told GAO that this had diminished their confidence in the process for updating Medicare's fees, and physicians' confidence in the process is important to ensure their continued participation in Medicare.

CMS does not have a plan for developing and using appropriate data for the mandated review of the fee schedule. CMS reported that it is in the process of obtaining a contract to collect practice expense data from the major physician and nonphysician specialties but did not provide specifics. A plan for the data collection is important for several reasons. Data sources that had been used no longer exist or are insufficient. The AMA physician survey that provided total practice expense data was last conducted in 1999 and was modified in 2000 such that it no longer collected the necessary data. Data submitted voluntarily by specialties to update these estimates are not an appropriate substitute for a systematic data collection effort. In addition, the expert panel that reviewed resource estimates for individual services completed its work in its final meeting in March 2004. CMS indicated that an ongoing AMA committee would continue to develop estimates for new and revised services. While CMS officials told GAO they believe CMS can complete the review of the fee schedule as required by 2007, without a specific plan CMS cannot ensure that it will be able to collect the data and update the fee schedule in a timely manner.