



Highlights of [GAO-07-567T](#), a testimony before the Subcommittee on Health, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

Medicare's current system of spending targets used to moderate spending growth for physician services and annually update physician fees is problematic. This spending target system—called the sustainable growth rate (SGR) system—adjusts physician fees based on the extent to which actual spending aligns with specified targets. In recent years, because spending has exceeded the targets, the system has called for fee cuts. Since 2003, the cuts have been averted through administrative or legislative action, thus postponing the budgetary consequences of excess spending. Under these circumstances, policymakers are seeking reforms that can help moderate spending growth while ensuring that beneficiaries have appropriate access to care. For today's hearing, this subcommittee, which is exploring options for improving how Medicare pays physicians, asked GAO to share the preliminary results of its ongoing study related to this topic.

GAO's statement addresses (1) approaches taken by other health care purchasers to address physicians' inefficient practice patterns, (2) GAO's efforts to estimate the prevalence of inefficient physicians in Medicare, and (3) the methodological tools available to identify inefficient practice patterns programwide. GAO ensured the reliability of the claims data used in this report by performing appropriate electronic data checks and by interviewing agency officials who were knowledgeable about the data.

www.gao.gov/cgi-bin/getrpt?GAO-07-567T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact A. Bruce Steinwald at (202) 512-7101 or steinwalda@gao.gov.

MEDICARE SPENDING

Preliminary Findings Regarding an Approach Focusing on Physician Practice Patterns to Foster Program Efficiency

What GAO Found

Consistent with the premise that physicians play a central role in the generation of health care expenditures, some health care purchasers examine the practice patterns of physicians in their network to promote efficiency. GAO selected 10 health care purchasers for review because they assess physicians' performance against an efficiency standard. To measure efficiency, the purchasers we spoke with generally compared actual spending for physicians' patients to the expected spending for those same patients, given their clinical and demographic characteristics. Most purchasers said they also evaluated physicians on quality. The purchasers linked their efficiency analysis results and other measures to a range of strategies—from steering patients toward the most efficient providers to excluding a physician from the purchaser's provider network because of poor performance. Some of the purchasers said these efforts produced savings.

Having considered the efforts of other health care purchasers in evaluating physicians for efficiency, GAO conducted its own analysis of physician practices in Medicare. GAO used the term efficiency to mean providing and ordering a level of services that is sufficient to meet patients' health care needs but not excessive, given a patient's health status. GAO focused the analysis on generalists—physicians who described their specialty as general practice, internal medicine, or family practice—and selected metropolitan areas that were diverse geographically and in terms of Medicare spending per beneficiary. GAO found that individual physicians who were likely to practice medicine inefficiently were present in each of 12 metropolitan areas studied.

The Centers for Medicare & Medicaid Services (CMS), the agency that administers Medicare, also has the tools to identify physicians who are likely to practice medicine inefficiently. Specifically, CMS has at its disposal comprehensive medical claims information, sufficient numbers of physicians in most areas to construct adequate sample sizes, and methods to adjust for differences in beneficiary health status.

A primary virtue of examining physician practices for efficiency is that the information can be coupled with incentives that operate at the individual physician level, in contrast with the SGR system, which operates at the aggregate physician level. Efforts to improve physician efficiency would not, by themselves, be sufficient to correct Medicare's long-term fiscal imbalance, but such efforts could be an important part of a package of reforms aimed at future program sustainability.