



Highlights of [GAO-09-647](#), a report to congressional requesters

Why GAO Did This Study

Medicare's physician fees may not always reflect efficiencies that occur when a physician performs multiple services for the same patient on the same day, and some resources required for these services do not need to be duplicated. In response to a request from Congress, GAO examined (1) the Centers for Medicare & Medicaid Services' (CMS) efforts to set appropriate fees for services furnished together and (2) additional opportunities for CMS to avoid excessive payments when services are furnished together. GAO examined relevant policies, laws, and regulations; interviewed CMS officials and others; and analyzed claims data to identify opportunities for further savings.

What GAO Recommends

GAO recommends that the Acting Administrator, CMS, ensure that physician fees reflect efficiencies occurring when services are commonly furnished together. GAO suggests that Congress consider exempting any resulting savings from federal budget neutrality so that savings accrue to Medicare. The Department of Health and Human Services concurred with GAO, stating it plans to review these services. The American Medical Association disagreed with aspects of our report, including exempting savings from budget neutrality. GAO continues to believe that Congress should consider such an exemption to help ensure appropriate payments for Medicare physician services.

[View GAO-09-647](#) or [key components](#). For more information, contact James C. Cosgrove at (202) 512-7114 or cosgrovej@gao.gov.

MEDICARE PHYSICIAN PAYMENTS

Fees Could Better Reflect Efficiencies Achieved When Services Are Provided Together

What GAO Found

CMS has taken steps to ensure that physician fees recognize efficiencies that occur when certain services are commonly furnished together, that is, by the same physician to the same beneficiary on the same day, but has not targeted services with the greatest potential for savings. CMS is reviewing the efforts of a workgroup created by the American Medical Association/Specialty Society Relative Value Scale Update Committee (RUC) in 2007 to examine potential duplication in resource estimates for services furnished together. However, the RUC workgroup has not focused on services that account for the largest share of Medicare spending. For this and other reasons, its methodology to identify and review services furnished together likely will result in limited savings. The workgroup's process is also resource intensive because it depends on input and consensus from specialty societies. Independent of the RUC, CMS has implemented a multiple procedure payment reduction (MPPR) policy for certain imaging and surgical services when two or more related services are furnished together. Under an MPPR, the full fee is paid for the highest-priced service and a reduced fee is paid for each subsequent service to reflect efficiencies in overlapping portions of the practice expense component—clinical labor, supplies, and equipment. For example, a nurse's time preparing a patient for a medical procedure or technician's time setting up the required equipment is incurred only once. The MPPR produced savings of about \$96 million in 2006 for imaging services. However, the scope of the policy is limited because the policy does not apply to nonsurgical and nonimaging services commonly furnished together, nor does it specifically reflect efficiencies occurring in the physician work component—the financial value of a physician's time, skill, and effort. For example, when two services are furnished together, a physician reviews a patient's medical records once, but the time for that activity is generally reflected in fees paid for both services.

CMS has additional opportunities to reduce excess physician payments that can occur when services are furnished together and Medicare's fees do not reflect the efficiencies realized. GAO's review found that expanding the MPPR to reflect practice expense efficiencies that occur when nonsurgical, nonimaging services are provided together could reduce payments for these services by an estimated one-half billion dollars annually. GAO's review also indicated that expanding the existing MPPR policy to reflect efficiencies in the physician work component of certain imaging services could reduce these payments by an estimated additional \$175 million annually. Under the budget neutrality requirement, by law, savings from reductions in fees are redistributed by increasing fees for all other services. Thus, these potential savings would accrue as savings to Medicare only if Congress exempted them from the budget neutrality requirement, as was done in the Deficit Reduction Act of 2005 for savings from the changes to certain imaging services fees.