

# THE AMERICAN GERIATRICS SOCIETY

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## **MEDICARE PHYSICIAN FEE SCHEDULE PAYMENT UPDATE**

The American Geriatrics Society urges Congress to take immediate steps next year to ensure Medicare beneficiaries continue to have access to high-quality medical care by averting cuts in the physician update for 2006. Despite congressional action that resulted in a 1.5% increase in the Medicare physician update in FY 2004 and 2005, CMS now projects payment updates of minus 5 percent annually each year from 2006 through 2012.

Continued reductions in Medicare physician payments are untenable and threaten seniors' access to high-quality medical care. Geriatricians as well as other members of the interdisciplinary team who bill Medicare directly (nurse practitioners, social workers, physician assistants) are affected by these cuts. To avoid further reductions, Congress must fix the Medicare fee schedule permanently by replacing the flawed "sustainable growth rate" formula on which the update is based and implementing a positive increase for Medicare physician services.

Under the SGR formula, physician fees and those of other health professionals paid under the fee schedule are cut if growth in Medicare patients' use of services exceeds the gross domestic product (GDP). There are many factors responsible for the increased use of physician services that are beyond physicians' control, such as the development of new drugs and technology and congressional expansion of Medicare coverage to include new screening tests. Providers should not be penalized for volume growth that is driven by government policy and the development of new drugs and technology that improve and extend the lives of Medicare patients.

Members of both parties agree that the SGR formula is hurting providers and beneficiaries and must be revised or replaced by a methodology that reflects the true costs of providing medical services. Because the payment updates generated by the SGR do not keep pace with inflation, providers are becoming more reluctant to treat Medicare beneficiaries. Members of Congress have also requested CMS to make administrative adjustments that would lead to more accurate calculations of both the SGR target and spending that counts toward that target. Proposed adjustments include removing spending for physician-administered drugs from the SGR.

### **Impact on Geriatricians and Their Patients**

Continued reductions in Medicare payments are particularly devastating for geriatricians and other members of the interdisciplinary team due to their high Medicare patient loads. Unfortunately, the Medicare reimbursement system does not adequately compensate

geriatricians for their services because of the time and complexity involved in seeing elderly patients. In addition, Medicare does not cover the cornerstone of geriatric practice, geriatric assessment. These problems are only exacerbated by continued reductions and will create further access problems for seniors in need of the specialized care that geriatric health professionals are trained to provide. Moreover, the shortage of health care professionals trained in geriatrics is reaching crisis levels and low reimbursement is the major reason more physicians don't enter the field.

**Congressional Action is Needed to Prevent Further Cuts**

AGS urges members of Congress to oppose cuts in the FY 2006 conversion factor. The flawed SGR formula should also be replaced, as recommended by MedPAC.