Payment for Physician Services: Strategies for Medicare

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Foreword

Medicare coverage of physician services for elderly and disabled beneficiaries improves their financial access to medical care. But Medicare’s payment methods have also fueled increases in expenditures for physician services, which are now one of the most rapidly growing parts of the Federal budget. The method of customary, prevailing, and reasonable charge payment is inherently inflationary and contains incentives for providers to use additional and more expensive services.

To curtail continuing increases in expenditures for physician services, the Deficit Reduction Act of 1984 (Public Law 98-369) froze physician charges to Medicare beneficiaries for 15 months beginning July 1, 1984. That act also mandated OTA to examine alternative methods of paying for physician services in order to guide payment reform. The House Energy and Commerce Committee, the House Ways and Means Committee, and the Senate Finance Committee have jurisdiction over physician services under Medicare and that section of the act. The Senate Special Committee on Aging also requested OTA to study the effect of physician payment methods on the use of medical technology.

In preparing this report, OTA staff drew on the expertise of members of the advisory panel, members of the OTA Health Program Advisory Committee, and experts in medicine, economics, insurance, industry, and health policy. Drafts of the final report were reviewed by the advisory panel, chaired by Dr. Sidney S. Lee; OTA’s Health Program Advisory Committee, also chaired by Dr. Lee; and numerous individuals and organizations with expertise and interest in the area. We are grateful for their assistance. Key OTA staff involved in the analysis were Jane E. Sisk, Charles L. Betley, Pony M. Ehrenhaft, Peter McMenamin, Elaine J. Power, Gloria Ruby, Ellen S. Smith, and Kerry Britten Kemp.
List of Related OTA Reports

- Medicare's Prospective Payment System: Strategies for Evaluating Cost, Quality, and Medical Technology.
  OTA-H-262, October 1985, GPO stock #052-003-01010-1.
- Technology and Aging in America.
  OTA-BA-264, June 1985, GPO stock #052-003-00970-6.
- Medical Technology and Costs of the Medicare Program.
- Medical Technology Under Proposals To Increase Competition in Health Care.
  OTA-H-190, October 1982, NTIS order #PB 83-164046.
- The Implications of Cost-Effectiveness Analysis of Medical Technology.
  OTA-H-126, August 1980, NTIS order #PB 80-216864.
- Assessing the Efficacy and Safety of Medical Technologies.
  OTA-H-75, September 1978, NTIS order #PB 286929.
- Technical Memoranda:
  —Update of Federal Activities Regarding the Use of Pneumococcal Vaccine.
  —Diagnosis Related Groups (DRGs) and the Medicare Program: Implications for Medical Technology.
- Case Studies:
    (forthcoming)
    OTA-HCS-27, September 1984, GPO stock #052-003-00964-1.
  —Cost Effectiveness of Automated Multichannel Chemistry Analyzers.
    OTA-BP-H(9)-4, April 1981, NTIS order #PB 81-209793.

OTA Project Staff—Payment for Physician Services:
Strategies for Medicare

Roger C. Herdman, Assistant Director, OTA
Health and Life Sciences Division

Clyde J. Behney, Health Program Manager

Jane E. Sisk, Project Director

Charles L. Betley, Research Assistant
Pony M. Ehrenhaft, Senior Analyst
Peter McMenamin, Senior Analyst
Elaine J. Power, Research Analyst
Gloria Ruby, Senior Analyst
Ellen S. Smith, Analyst

Kerry Britten Kemp, Health and Life Sciences Division Editor

Other Contributing Staff
Becky Berka, Research Assistant
Cynthia P. King, Analyst

Virginia Cwalina, Administrative Assistant
Beckie Erickson, P.C. Specialist/Word Processor
Carol Ann Guntow, Secretary/Word Processor Specialist
Diann G. Hohenthaler, P.C. Specialist/Word Processor

Contractors
Morris L. Barer, Robert G. Evans, and Roberta Labelle, University of British Columbia
Alexander M. Capron, University of Southern California
Morris F. Cohen, Northern California Kaiser-Permanente Medical Care Program
Louis P. Garrison, The Project HOPE Health Sciences Education Center
Lisa I. Iezzoni, Oren Grad, and Mark A. Moskowitz, Boston University
David A. Juba, The Urban Institute
Lois P. Myers, John M. Eisenberg, and Mark V. Pauly, University of Pennsylvania
Michael A. Riddiough, Riddiough & Associates
Jonathan A. Showstack, Eliseo J. Perez-Stable, Eric Sawitz, University of California, San Francisco
James Vertrees, Dennis Tolley, and Kenneth Manton, La Jolla Management Corp.

Until August 1985.
Advisory Panel—Payment for Physician Services: Strategies for Medicare

Sidney S. Lee, Chair
President, Milbank Memorial Fund, New York, NY

John R. Ball
Associate Executive Vice President
American College of Physicians
Washington, DC

Thomas L. Beauchamp
Professor of Philosophy and Senior Research Scholar
Kennedy Institute of Ethics
Georgetown University
Washington, DC

Karen Davis
Chair
Department of Health Policy and Management
School of Hygiene and Public Health
Johns Hopkins University
Baltimore, MD

Richard C. Dever
Fellow and Governor at Large for Florida
American College of Surgeons
Jacksonville, FL

Joseph Eichenholz
Assistant Vice President
Affiliated Businesses Group
CIGNA Corp.
Hartford, CT

Peter D. Fox
Vice President
Lewin & Associates
Washington, DC

Jack Hadley
Director
Center for Health Policy Studies
Georgetown University
Washington, DC

Ronald E. Henderson
Physician, private practice
Birmingham, AL

Jack A. Meyer
Director
Health Policy Studies
American Enterprise Institute
Washington, DC

Janet B. Mitchell
Vice President
Health Economics Research
Chestnut Hill, MA

Vita R. Ostrander
President
American Association of Retired Persons
Washington, DC

Thomas O. Pyle
President and Chief Executive Officer
Harvard Community Health Plan
Boston, MA

Uwe E. Reinhardt
Professor
Department of Economics
Princeton University
Princeton, NJ

C. Burns Roehrig
President
American Society for Internal Medicine
Boston, MA

Jerald R. Schenken
Vice Chairman
Council on Legislation
American Medical Association
Omaha, NE

Steven A. Schroeder
Chief of Division of General Internal Medicine
Department of Medicine
University of California
San Francisco, CA
Jack K. Shelton  
Manager  
Employees’ Insurance Department  
Ford Motor Co.  
Dearborne, MI  

Robert H. Taylor  
Executive Committee, Board of Directors  
American Academy of Family Physicians  
Spartanburg, SC

B. Elizabeth Tunney  
Director, Legislation  
Retail, Wholesale, and Department Store Union, International  
New York, NY  

Sankey V. Williams  
Associate Professor  
Section of General Medicine  
Hospital of the University of Pennsylvania  
Philadelphia, PA