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# Appendixes

# Method of the Study

The Deficit Reduction Act of 1984, Public Law **98-369 (Sec. 2309)**, mandated OTA to conduct a study of physician payment under Medicare. In addition, the Senate Special Committee on Aging requested OTA to analyze the effects of physician payment on medical technology, with particular attention to payment of physician services under Part B of Medicare. On June 21, 1984, the OTA Technology Assessment Board approved the proposal for this project.

During the early part of the project, OTA staff consulted with professional associations for suggestions of candidates for the study's advisory panel. The advisory panels for OTA studies guide OTA staff in selecting material and issues to consider and review the written work of the staff, but the panels are not responsible for the content of the final reports. The advisory panel for this study consisted of members from various interested parties: medical specialties; corporate health benefits; health insurers; carriers; consumer advocacy groups; and scholars in medical ethics, economics, and health policy analysis. Sidney Lee, president of the Milbank Memorial Fund and chair of the standing OTA Health Program Advisory Committee, chaired the advisory panel for this study.

The first meeting of the advisory panel was held on September 10, 1984. Before the meeting, the staff began preliminary research into the issues involved in Medicare physician payment and prepared a draft outline for the study. During the meeting, the panel was asked to define and narrow the scope of the task of studying Medicare physician payment. Staff from the Health Care Financing Administration, the Institute of Medicine of the National Academy of Sciences, and the Congressional Budget Office reported on the progress and emphasis of their complementary studies on physician payment to help define the focus of OTA's assessment.

After the meeting, the project staff refined the project outline and identified for analysis four alternative approaches to medicare payment for physician services: 1) modifications in Medicare's traditional customary, prevailing, and reasonable method of payment; 2) payment based on fee schedules; **3) payment** for packages of services; and **4) cavitation** payment. The staff also selected five medical technologies for in-depth examination of the effects of payment alternatives. Contracts were let for background papers that would each examine one of the five technologies: pneumococcal vaccination, clinical laboratory services, magnetic resonance imaging, extracorporeal shock wave lithotripsy, and cataract surgery.

On January 29, 1985, a workshop was held to discuss empirical research on the effects of particular payment mechanisms. The workshop, under the chair of Uwe Reinhardt, professor of economics at Princeton University and advisory panel member, included members of the advisory panel and others experienced in the use of databases available from Medicare carriers. In light of the information gained from this workshop, the OTA staff let two contracts for empirical studies on the issues related to fee schedules and cavitation payment.

The project **was** discussed further at the February 11, 1985 meeting of the Health Program Advisory Committee, an independent body of experts that advises the OTA Health Program. Discussion centered around the availability of data on physician incentives under various forms of payment and the relative uncertainty about the effects of particular changes.

Another set of background papers was commissioned to elicit comparative perspectives on potential methods of paying for physician services. One contractor was chosen to write a background paper on the experience of the Canadian Government in financing a national system of payment for physician services on the basis of fee schedules. Another contractor wrote of the experience of the Kaiser-Permanente Medical Care Program in paying its physicians on a capitation basis.

In addition, contractors were chosen to write background papers on the implications of the alternative payment methods for quality of care and ethical issues, matters that are common to all of the alternatives.

The second meeting of the advisory panel was held on March 7, 1985, to bring the panel members up to date on the progress of the report. The panel reviewed draft background information intended for the final report. The panel also gave advice on issues for the chapters on the specific payment alternatives.

During the spring and summer of 1985, the project staff reviewed the available literature relating to the various payment methods. Draft background papers were also received throughout this time, and the drafts were critiqued by the project staff, by advisory panel members, and by outside reviewers with expertise in the relevant fields. The staff also organized a workshop, held on June 13, 1985, on the administrative issues relating to possible changes in Medicare payment of physician services. The workshop participants, under the chair of Sidney Lee of the advisory panel, included representatives from the Health Care Financ-

ing Administration, current Medicare carriers, other insurers, and members of the advisory panel.

The staff prepared a draft report, which was discussed at the final meeting of the advisory panel on October 10, 1985, and at the meeting of the Health Program Advisory Committee on October 18, 1985. The draft was also sent to other experts and interested parties for review. During October and November 1985, the project staff revised the report in response to reviewers' comments and sent selected chapters for additional review to members of the advisory panel. After subsequent revision, the staff prepared a final draft, which was submitted in mid-December to the Technology Assessment Board for approval.

Other documents in addition to the main report were prepared in connection with this assessment. A case study, *Effects of Federal Policies on Extracorporeal Shock Wave Lithotripsy*, was prepared by the project staff and will be available through the U.S. Government Printing Office. In addition, the following papers were prepared on contract to OTA to provide background information for the main report and are available through OTA in limited quantities:

- "The Frozen North: Controlling Physician Costs Through Controlling Fees," by Morris L. Barer, Robert G. Evans, and Roberta Labelle, University of British Columbia;
- "Evaluation of Ethical Implications of Selected Alternatives for Paying Physicians Under the Medicare Program," by Alexander M. Capron, University of Southern California;
- "Payments to Physicians in the Permanence Medical Group," by Morris F. Cohen, Northern California Kaiser-Permanente Medical Care Program;
- "Background Paper on Cataract Surgery and Physician Payment Under the Medicare Program," by Louis P. Garrison, Jr., and Sandra M. Yamashiro, Project HOPE Center for Health Affairs;
- "Evaluation of Effects on the Quality of Care of Selected Alternatives for Paying Physicians Under the Medicare Program," by Glenn T. Hammons, Robert H. Brook, and Joseph P. Newhouse, The Rand Corp.;
- "Reform of Medicare Physician Payment Policies: Impact on Magnetic Resonance Imaging Technology," by Lisa I. Iezzoni, Oren Grad, and Mark A. Moskowitz, Boston University Medical Center;
- "Analysis of Issues Relating to Implementing a Medicare Physician Fee Schedule," by David A. Juba, The Urban Institute;
- "The Effects on Clinical Laboratory Services of Selected Alternatives for Paying Physicians Under the Medicare Program," by Lois P. Myers, John M. Eisenberg, and Mark V. Pauly, University of Pennsylvania;
- "Implications of Alternative Medicare Payment Methods for Pneumococcal Vaccination," by Michael A. Riddiough, Riddiough & Associates;
- "Extracorporeal Shock Wave Lithotripsy: Clinical Applications and Physician Payment," by Jonathan A. Showstack, Eliseo J. Perez-Stable, and Eric Sawitz, University of California, San Francisco; and
- "Issues in Cavitation: Risks of Financial Ruin for Providers and Ways To Control This Risk," by James Vertrees, Dennis Tolley, and Kenneth Mantton, La Jolla Management Corp.