

*Payment for Physician Services: Strategies
for Medicare*

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**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.



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