
Resource Use Outliers

Proposal

Medicare legislation enacted last year established a physician resource use feedback program, which uses claims data to report confidentially to physicians on the resources they use when treating Medicare patients. The goal is to educate outlier physicians so that they will have the information they need to implement more efficient practices. So far, the Centers for Medicare and Medicaid Services (CMS) provides feedback reports to less than 250 physicians nationwide. The Finance Committee proposal would expand the program, so that by 2012 all physicians would receive feedback reports on the services they provide, based on episode groupers. Beginning in 2014, Medicare payments would be reduced by 5% for physicians whose resource use is at or above the 90th percentile of national utilization rates.

Concerns

- CMS needs more time and more resources to construct a fair and workable system for developing feedback reports before Congress considers expanding their scope and use.
- A critical safeguard that still needs to be developed is an accurate way to adjust for differences in **patient mix**. Failure to do so will create perverse incentives for physicians to avoid severely ill patients and vulnerable populations.
- Any credible feedback report system will also require substantial improvements in current **risk-adjustment tools**.
- **Issues of attribution** have not been resolved, even though physicians have expressed concerns about being held responsible for care that they did not provide and could not have controlled.
- The science of developing **reliable episode groupers** is also in its infancy. Although medicine has been receptive to some service bundles such as global surgical services, little or no data are available that identify other services where consistency of care across patients would lend itself to this approach. Glaring errors have been identified in recent private and state insurance initiatives to implement physician profiling programs using episode groupers.

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- Penalizing all physicians above the 90th percentile in resource use ensures that a significant number of physicians will always be subject to steep payment reductions, regardless of any changes they have made in their practice patterns or how close they are to the average.

Recommendations

- This proposal is premature and should not be enacted. CMS needs time to implement the current feedback program, so that physicians have an opportunity to understand and adjust their practice patterns and increase their efficiency, as appropriate. Arbitrary 5% payment cuts based on reports that CMS has not demonstrated its capacity to produce should not be implemented.