

Member Connect®: Physicians' reactions to the projected Medicare physician payment cuts

Highlights

Background

One of the top advocacy issues in 2006 that the American Medical Association (AMA) is addressing is Medicare physician payment reform. Medicare rates have already fallen well below the government's own conservative measure of inflation in practice costs. Further, the 2006 Medicare Trustees report is expected to indicate that physician payment rates will be reduced by 34% from 2007-2015, beginning with a 5% cut that will take effect Jan. 1, 2007.

This survey examines how the projected Medicare payment cuts could affect physicians' practices, including:

- Potential changes to accepting/treating Medicare patients
- Potential changes to accepting Tricare patients
- Potential changes to practice
- Observed changes in treatment of Medicare patients
- Participation in Medicare Advantage

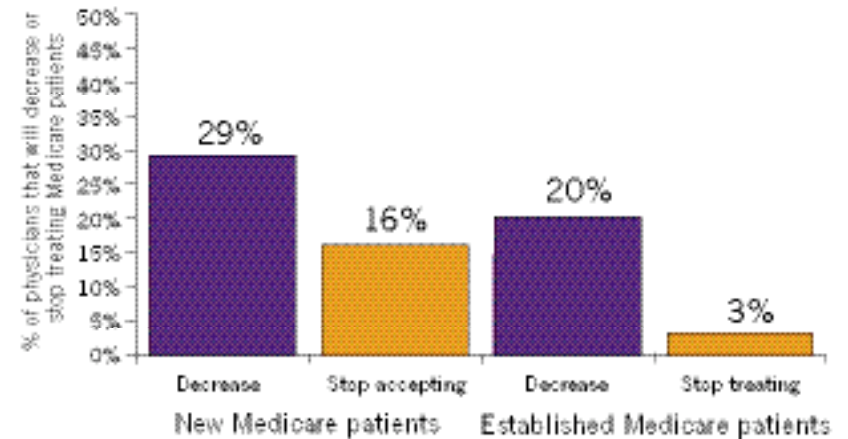
Because this issue is critical to *all* physicians' ability to serve Medicare patients, this Member Connect survey includes both member and nonmember views. Based on their input, the AMA continues to be deeply concerned that government policies on Medicare physician payment are affecting access to care for Medicare patients.

Potential changes to accepting/treating Medicare patients

Physicians were asked whether they plan to make changes to accepting new Medicare patients or to treating established Medicare patients if Medicare payments are reduced by 5% in 2007.

Nearly one-half (45%) of physician respondents plan either to decrease or to stop seeing new Medicare patients: 29% plan to decrease the number of new Medicare patients they accept and 16% plan to stop accepting any new Medicare patients if Medicare payments are cut by 5% in 2007. Furthermore, 20% of physicians may be forced to reduce the number of established Medicare patients they treat and 3% may be forced to stop treating any established Medicare patients if Medicare payment rates are cut by 5% in 2007.

Potential changes to practice if Medicare payment rates are cut by 5% on Jan. 1, 2007



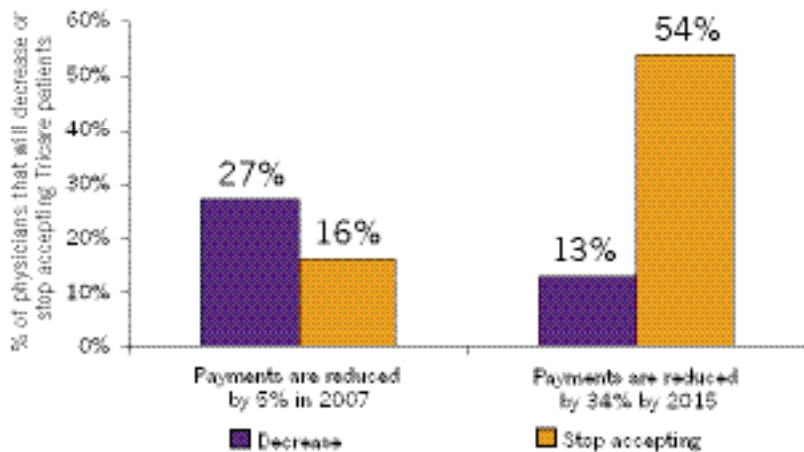
In addition, if Medicare payments are cut by 34% by 2015, two-thirds (67%) of physicians plan either to decrease (15%) or to stop seeing (52%) new Medicare patients. Furthermore, 24% of physicians may be forced to reduce the number of established Medicare patients they treat and 30% may be forced to stop treating any established Medicare patients if payment rates are cut by 34% by 2015.

Potential changes to accepting Tricare patients

Because the Tricare program for military dependents and retirees ties its rates to Medicare, Tricare payments are projected to decrease by the same percentage as Medicare's. Physicians were asked whether they planned to make changes to the number of Tricare patients they accept if payments are reduced by 5% in 2007 and by 34% by 2015.

Again, nearly one-half (43%) of physician respondents plan either to decrease or to stop seeing new Tricare patients: 27% plan to decrease the number of new Tricare patients they accept and 16% plan to stop accepting any new Tricare patients if payments are reduced by 5% in 2007. Furthermore, if payments are cut by 34% by 2015, 67% of physicians may be forced to make these changes: 13% may be forced to decrease the number of Tricare patients they accept and 54% may be forced to stop accepting any new Tricare patients.

Potential changes if Tricare payments are reduced by 5% in 2007 and 34% by 2015



Potential changes to practice

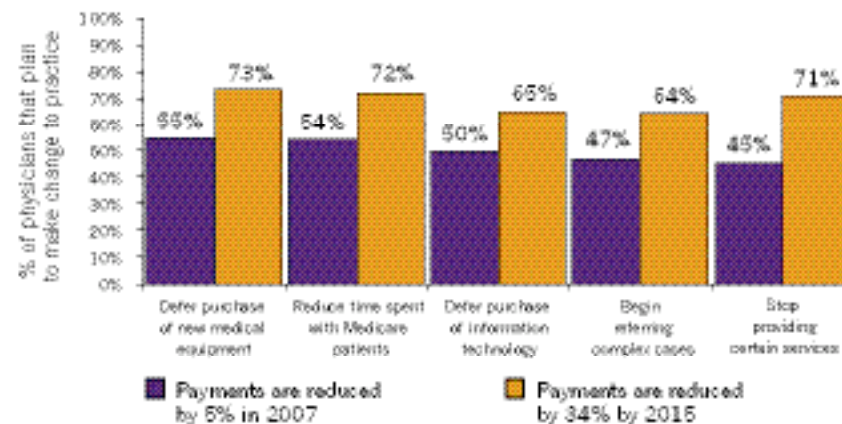
Physicians were asked whether they plan to make any changes to their practice if Medicare payments are reduced by 5% in 2007 and by 34% by 2015.

If Medicare payments are reduced by 5% in 2007, nearly three-quarters (71%) of physicians will make one or more significant patient care changes within their practice, including reducing time spent with Medicare patients, increasing the referral of complex cases and ceasing to provide certain services. Furthermore, nearly one-half (42%) of physicians plan to discontinue nursing home visits if payments are cut in 2007. If payments are cut by 34% by 2015, the majority (57%) of physicians will discontinue nursing home visits.

In addition, more than half of physicians will forego investments in their practice, including deferring the purchase of new medical equipment and the purchase of information technology. This finding is particularly troubling, as the government is advocating for increased use of information technology, such as electronic medical records, but its policies on Medicare physician payment are driving physicians away from making these critical investments in patient care.

Importantly, if Medicare payments are cut by 34% by 2015, 82% of physicians will make one or more of these types of significant patient care changes and investments in their practice.

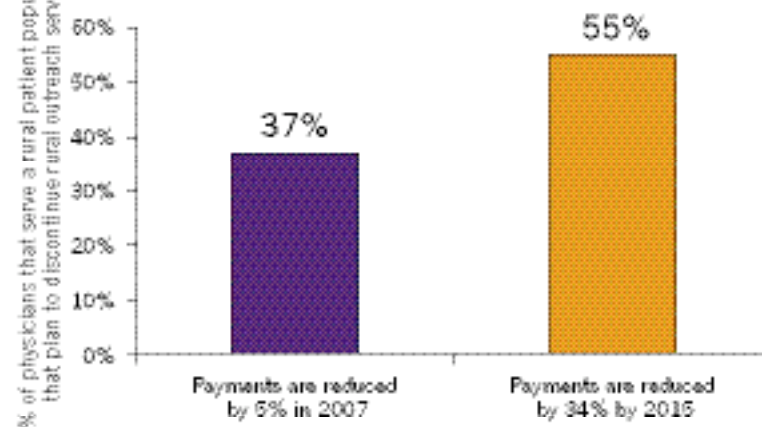
Potential changes to practice if Medicare payment rates are cut



Impact on rural patient population

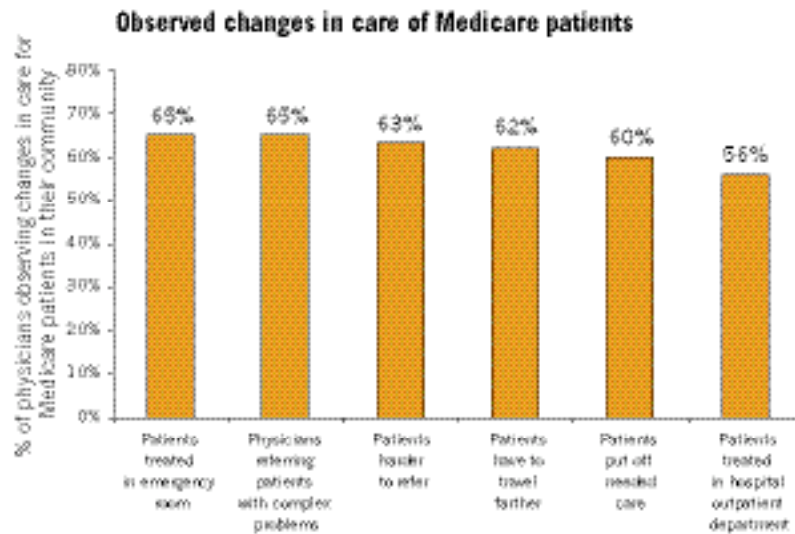
Further, these practice changes will particularly impact rural areas, which are already underserved. More than one-third (37%) of physicians whose practice serves a rural patient population will discontinue rural outreach services if Medicare payments are reduced by 5% in 2007. Moreover, more than one-half (55%) of physicians whose practice serves a rural patient population will discontinue these important outreach services if Medicare payments are reduced by 34% by 2015.

Potential changes to rural outreach services if Medicare payments are cut



Observed changes in treatment of Medicare patients

Physicians were asked about medical care changes they observed in the last three to five years for Medicare patients in the community where they practice. Almost two-thirds (65%) of physicians report that more Medicare patients in their community are being treated in the emergency room for conditions that could have been treated in a physician's office. Nearly two-thirds (65%) report that, in their community, more physicians are referring Medicare patients with complex problems to other doctors. Sixty-three percent report that it has gotten harder to refer Medicare patients to certain medical and surgical specialists in their community and 62% report that many Medicare patients now have to travel further to get needed medical care in their community.

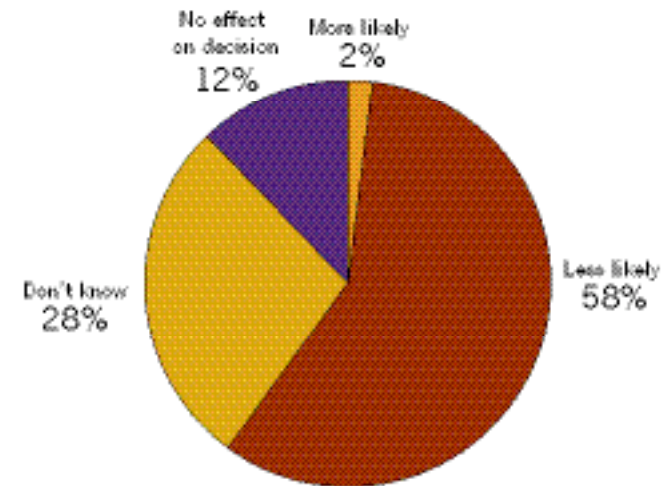


Participation in Medicare Advantage

Physicians were told that the 2003 Medicare law resulted in a number of changes to Medicare managed care (now called Medicare Advantage) including the creation of new Medicare PPOs; 43% of respondents indicated that they are currently participating in a Medicare Advantage Plan. Physicians were then asked the effect of payment cuts on the likelihood of participating in a Medicare Advantage Plan in the future.

A majority (58%) of physicians indicated that if the projected Medicare payment cuts go into effect, they will be less likely to participate in a Medicare Advantage Plan. Only 2% of physicians report that the projected Medicare payment cuts will make them more likely to participate in a Medicare Advantage Plan.

Effect of projected Medicare payment cuts on likelihood of participating in a Medicare Advantage Plan



In February/March 2006, the American Medical Association (AMA) conducted a Member Connect[®] Survey of both member and nonmember physicians to determine their responses to the projected Medicare payment cuts. The survey was conducted online.

A total of 8,217 physicians completed the survey—5,266 members and 2,951 nonmembers.

If you are an AMA member who would like to enroll in the Member Connect survey program and help shape the AMA's advocacy agenda and activities, please visit www.ama-assn.org/go/memberconnect to learn more. Additional information about other valuable ways to get involved in the AMA can be found on the AMA Web site, www.ama-assn.org, or by calling (800) 262-3211.