

PATIENTS' ACCESS TO PHYSICIANS ACT (PAPA) SUMMARY AND EXPLANATION

Physicians are currently scheduled to receive a significant reduction in their Medicare payments over the next five to 10 years. The Medicare Trustees have projected that Medicare payments to physicians will be cut by 4.6 percent in January. And, if Congress does not act, the Trustees project that physicians will see a cumulative cut of approximately 37 percent through 2015.¹

The current Medicare physician payment formula is viewed as flawed because it penalizes physicians by lowering their payments when the growth in utilization of medical care is greater than the growth in the gross domestic product. In 2003, the Medicare Payment Advisory Commission (MedPAC) recommended abandoning the current formulation and moving to a new system. To date, however, Congress has not been able to agree on a replacement or on how to offset the cost of a transition to a new system. Thus, a temporary delay in the Medicare physician payment cuts is needed while Congress develops a new payment system.

The Patients' Access to Physicians Act (PAPA) would provide a temporary reprieve from these payment cuts scheduled for physicians in Medicare. It would provide a positive update to Medicare physician payments, at this time expected to be between 2 and 3 percent each year, in both 2007 and 2008. The update would reflect physician practice cost inflation with an adjustment for productivity. This follows the advice of MedPAC's recommended formula of increases in physician practice costs minus productivity adjustment. Physician organizations, such as the American Medical Association, the American College of Surgeons, the American Osteopathic Association, the American College of Cardiology, and numerous others, support this framework for Medicare physician payment updates.

In addition, the legislation would protect beneficiaries from any additional premium increases that would otherwise be caused by this change in physician payments for these two years. In 2006, the Part B premium increased by more than 10 percent. This was the third consecutive year of such a large premium increase for beneficiaries. The Part B premium already consumes 9 percent of the average Social Security check.² For seniors living on fixed incomes, unexpected increases in their living expenses can impose hardship. Thus, the bill ensures that beneficiaries would not see an increase in their premiums as a result of this action to stabilize physician payments while Congress comes to agreement on implementing a more appropriate payment mechanism.

¹ See American Medical Association, "Medicare Physician Payment: Q & A"

² See Social Security Administration, OASDI Monthly Statistics, June 2006, at www.ssa.gov/policy/docs/statcomps/oasdi_monthly

This bill helps protect the ability of beneficiaries to see their own physician while they are enrolled in the Medicare program. The vast majority of seniors and people with disabilities are and will remain in traditional Medicare, where they have the freedom to choose their own doctor and get the care that is right for them. While ideally Congress will develop a new payment system that integrates payment and quality, it does not have enough information and data to implement such a system at this time. The PAPA bill would provide a two-year increase for doctors while Congress continues to work toward a permanent solution.