



Medicare: Today's Issue

March 16, 2004

BETTER BENEFITS – MORE CHOICES

Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!

MMA's Improvements for Physicians

Physician Fee Schedule Update

Section 601 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) revised the updates for physician fee schedule services for 2004 and 2005.

For 2004, the new law replaced a scheduled 4.5 percent reduction in average physician fee schedule rates with a 1.5 percent increase.

- This represents **approximate positive change of 6.3 percent** relative to what the rates would have been without the new law.

For 2005, the new law also requires that the physician fee schedule update be no less than a 1.5 percent increase.

Geographic Practice Costs Indices (GPCIs)

Section 412 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) modifies the geographic adjustment for physician payments.

The geographic adjustment is in place to reflect differences in the costs of the various inputs necessary to furnish physicians' services in different geographic areas. **These inputs are physician work, practice expense, and malpractice.**

- The MMA establishes a floor on the GPCIs for the work component of the physician fee schedule by **raising any work GPCI that is below 1.00 to 1.00 for 2004 through 2006.**
- Since rural areas tend to have lower GPCIs, **this new floor generally increases payments to physicians in rural areas.**

Section 602 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) sets the GPCIs for all three components of the physician fee schedule (work, practice expenses, and malpractice) at 1.67 (for physicians in Alaska) for 2004 and 2005.

- This results in higher payments for doctors. For example, it results in an approximate 50 percent increase in payments in Alaska.

Incentive Payments in Shortage and Scarcity Areas

Section 413 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) modifies the Medicare Incentive Payment Program, which provides 10 percent bonus payments to physicians in Health Professional Shortage Areas.

- MMA builds upon this existing program, and adds a new program for physicians serving beneficiaries in physician scarcity counties. Under this new program, physicians would **receive a 5 percent bonus payment for providing services in newly defined shortage areas.**

Payments for Administration of Drugs

Section 303 of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) required increases in payments for administration of drugs in 2004 and concurrently required decreases in payments Medicare makes for drugs.

- The provision requires several changes in the physician fee schedule data and methodology used to determine payment for drug administration services.
- These increased payments are exempted from the normal budget neutrality calculations, which puts more money into the system and does not require any offsetting reduction from other physicians' services.