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Physician Panel Tills Medicare Fees

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 turning 65. Other areas of Medicare—including the prescription-drug benefit and nursing-home expenses—are growing faster than payments to doctors.
 Moreover, the RUC's recommendations in theory affect only how doctors' piece of the Medicare pie is divided, not how big it is. RUC chairwoman Barbara Levy says the panel is moving aggressively to correct evaluations that lead to higher-than-appropriate payments for some services. By the start of Novem-

mending changes for services that have moved to an outpatient setting.
 The AMA, along with groups representing doctor specialties, formed the RUC in 1991. That's when Medicare was moving to its current system of setting doctor fees, which bases estimates of the cost of a service on the physician work and related expenses involved, as well as a small amount for liability. The panel's main focus is to estimate how much work it takes a physician to perform a given task.

Secrets of The System

ber, the Medicare agency is due to come out with its doctor fees for next year, likely incorporating the RUC's most recent recommendations.

"We've made tremendous change in the last few years," says Dr. Levy, a Seattle-area gynecologist. "The RUC is not a perfect process, it's just the best that's out there."

Still, the impact of the decisions made by the doctors on the RUC goes well beyond physician fees for cardiac surgery or back procedures. When Medicare pays more for something, doctors have an incentive to do more of that something—with all the associated costs for hospitals, lab tests and drugs.

"Overvalued codes can lead to spending growth," says Jonathan Blum, deputy administrator for the Centers for Medicare and Medicaid Services.

A Wall Street Journal analysis of Medicare and RUC data suggests that services were paid too generously in some cases because the fees were based on out-of-date assumptions about how the work is done. The analysis found more than 550 doctor services that, despite being mostly performed outpatient or in doctors' offices in 2008, still automatically include significant payments for hospital visits after the day of the procedure, which would typically be part of an inpatient stay.

For instance, one operation to treat male urinary incontinence wraps in payment for 118 minutes of hospital visit time after the day of surgery, though 2008 Medicare data show it is done around 80% of the time outpatient or in a doctor's office. Stephanie Stinchcomb, manager of reimbursement for the American Urological Association, says the surgery used to be largely inpatient; its payment was last updated based on a RUC evaluation in 2003. It's not clear if a new analysis will find doctors should now be paid less for it, she says.

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ending changes for services that have moved to an outpatient setting.
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In sessions that can stretch 12 hours or longer each day, the committee walks through dozens of services. The discussions can be mind-numbing—a subcommittee once debated whether to factor issues into the payment for a psychoanalysis session.

Committee leaders like Dr. Levy have long emphasized that members need to look beyond the interests of their specialties, and she distributed baseball caps with "RUC" printed on them at the beginning of her term last year. Past efforts at bonding activities include a bowling night where the physicians were randomly assigned to teams. The breakdown of votes is kept secret, and it takes two-thirds of the 26 voting specialists to endorse a value for a service.

The stakes are heightened by Medicare law that says if services get a boost in their values, the money is supposed to come out of existing services' reimbursement. The Medicare agency makes such tweaks to attain so-called "budget neutrality" and also aims to hit overall spending goals set by law. However, its projections are often exceeded due largely to increases in the number of services performed. Congress has stepped in to authorize higher-than-targeted spending.

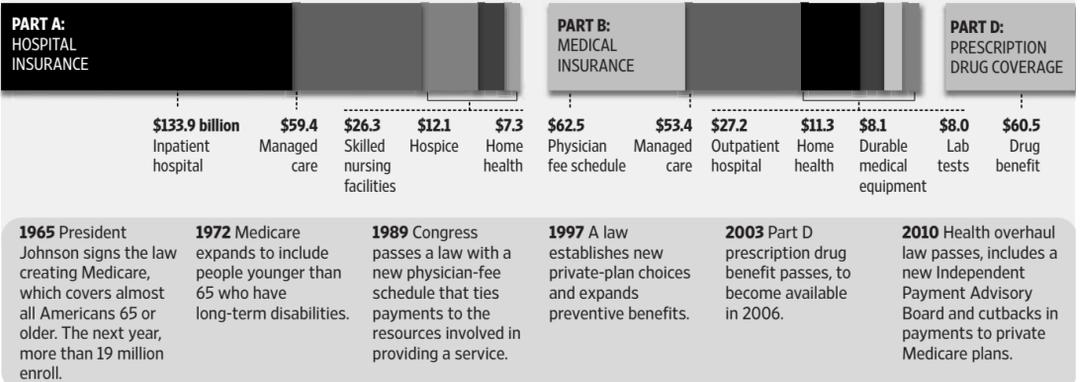
"This system pitted specialty against specialty, surgeons against primary care," says Frank Opelka, a surgeon and former RUC alternate member who is vice chancellor at Louisiana State University Health Sciences Center in New Orleans.

Primary-care groups have pushed for more representation on the committee, and their leaders have argued its results are weighted against their interests. (Please see accompanying article on WSJ.com/US.)

Dr. Levy says the committee is an expert panel, not meant to be representative, adding: "The outcomes are independent of who's sitting at the table from one specialty or another."

A recent analysis for the Medicare Payment Advisory Commission, or MedPAC, a Congressional watchdog, calculated how much American doctors would make if all their work was paid at Medicare rates. It found that the primary-care category did the worst, at around \$101 an

Where the Money Goes | Medicare Spending, in billions 2009



1965 President Johnson signs the law creating Medicare, which covers almost all Americans 65 or older. The next year, more than 19 million enroll.

1972 Medicare expands to include people younger than 65 who have long-term disabilities.

1989 Congress passes a law with a new physician-fee schedule that ties payments to the resources involved in providing a service.

1997 A law establishes new private-plan choices and expands preventive benefits.

2003 Part D prescription drug benefit passes, to become available in 2006.

2010 Health overhaul law passes, includes a new Independent Payment Advisory Board and cutbacks in payments to private Medicare plans.

Note: Part B excludes 'Other' spending. Sources: Centers for Medicare and Medicaid Services; Kaiser Family Foundation



Dr. Barbara Levy, a Seattle-area gynecologist who heads the RUC.

hour. Surgeons did better, at \$161. Specialists who did nonsurgical procedures, such as dermatologists, did the best, averaging \$214, and \$193 for radiologists.

The imbalance has stoked fears of a shortage of primary-care doctors, as well as a relative shortfall in the amount of primary-care services patients receive, compared to specialist procedures. "The fee schedule we use to pay physicians in Medicare leads to the wrong mix of services and the wrong mix of doctors," says Robert Berenson, vice chair of MedPAC and a researcher at the Urban Institute. "It produces increased spending for Medicare and for the rest of the system."

Out-of-whole Medicare doctor payments are supposed to be corrected in a required review every five years. MedPAC says in the three previous reviews, the RUC endorsed boosts for 1,050 services, and decreases for 167. Many recommendations on which services to examine came from doctor societies. The upshot may be that payments don't keep up with medical realities when procedures become easier or faster, MedPAC said.

The Medicare payment for placing cardiac stents in a single blood vessel stems from a 1994 RUC analysis. Medicare paid doctors for 326,000 of those procedures in 2008, at a cost of around \$205 million. Compared to the mid-1990s, cardiologists say, stenting today is more routine and may often be less stressful.

The example used to set the code's value is "way out of date," says David L. Brown, a cardiologist at SUNY-Stony Brook School of Medicine. "In those days,

stents were used when you were having a catastrophic event or thought you might have a catastrophic event." Stents and the catheters used to thread them into arteries are now smaller and easier to use, he says. The time varies by patient, but Dr. Brown says he required around 45 minutes on average to perform a single-vessel stenting. The RUC's valuation suggests a two-hour procedure.

The American College of Cardiology feels the service is "fairly valued," says James Blankenship, who represents the society on the RUC and is director of cardiology at Geisinger Medical Center. He concedes that two hours is "probably a little bit too long," but argues that the procedure may be harder because cardiologists now take on challenging patients who might once have gotten bypass surgeries.

The RUC's Dr. Levy says that the RUC has reduced values for nearly 400 services in the past and it is now reviewing hundreds more.

In 2006, Medicare phased in a payment for applying a skin substitute that used a new RUC code. The estimate of doctor work was built around an example of treating a teenager with an extensive burn, who's seen in an operating room. The procedure was estimated to take 25 minutes, and payment wrapped up the cost of four doctor visits, including one for hospital discharge.

By 2008, according to Medicare data, the code was being billed by podiatrists 74% of the time, and then we're applying the skin substitute to burners, not burns. Moreover, 53% of the procedures were outpatient and

44% done in doctors' offices. Some podiatrists suggest 25 minutes is longer than the procedure typically takes, though this can vary. Lee Rogers, associate medical director of the amputation-prevention center at Valley Presbyterian Hospital in Los Angeles, says he requires seven minutes on average.

"I can't believe that's the vignette they based this code off of," he says.

At a national podiatric meeting in July, podiatrist James Stavosky showed slides highlighting that doctors who treated a stubborn foot ulcer with Dermagraft, a skin substitute used when billing that code, could make \$3,137.54—substantially more than with rival products paid for under different codes. Dr. Stavosky says the slides were his idea and he wasn't paid for the talk by Advanced BioHealing Inc., the maker of Dermagraft. The company confirms that.

The Medicare agency has proposed lopping its reimbursement for the Dermagraft procedure, and the RUC has suggested that the AMA committee that creates billing codes review the matter. Medicare's Mr. Blum says the agency is becoming "much more prescriptive" in working with the committee, prodding the panel to detect, and suggest fixes for, payments based on out-of-date assumptions. He adds that the agency has already made payment changes to "correct historical biases against primary-care professionals" and plans more such moves.

The RUC relies heavily on surveys performed by doctor specialty groups, requiring as few as 30 responses. The surveyed doctors estimate the time, stress, skill and other factors based on a hypothetical case that's supposed to represent a typical patient. They compare services to other, similar ones to help figure out relative difficulty. A blank example provided to The Wall Street Journal noted that the survey "is important to you and other physicians because these values determine the rate at which Medicare and other payers reimburse for procedures."

William Hsiao, the Harvard professor who led the original physician-work research used to set Medicare fees, argues the ap-

proach is almost guaranteed to inflate the values used to calculate fees.

"You do not turn this over to the people who have a strong interest in the outcome," he says. "Every society only wants its specialty's value to go up.... You cannot avoid the potential conflict."

A study published this June in the journal Medical Care Research and Review found the procedure times used by the RUC to calculate values may sometimes be exaggerated. The mean times for several types of surgeries were substantially shorter in a database drawn from hospital surgical records.

For instance, the time used by the RUC for carpal tunnel surgery—which was performed 106,000 times on Medicare patients in 2008, at a cost of around \$44 million in doctor fees—is 25 minutes. According to Sullivan Healthcare Consulting Inc., which maintains the hospital database, the median time among teaching hospitals in recent years, based on 2,602 cases, was about one-third shorter, at 17 minutes. The figure for community hospitals, with 4,093 cases, was 18 minutes.

According to documents provided by the RUC, the 25-minute figure is based on 39 surveys of surgeons, out of 150 sent out by groups representing hand surgeons, orthopedic surgeons and plastic surgeons.

Robert H. Haralson III, former medical director for the American Academy of Orthopaedic Surgeons, says Medicare's payment isn't too high, because the surgery is a more intense procedure than the current value implies. In a letter to the medical journal, RUC leaders said the article was "outdated" and questioned use of the surgical database, which classifies procedures in a different way than the RUC. Dr. Levy says the doctor surveys serve as "a beginning point" for the committee's experts.

Mr. Blum of the Medicare agency says that for now, "we are comfortable" with the RUC process. The federal health-care overhaul requires the government to insure that the doctor-fee values adopted by Medicare are accurate. "We're not going to rubber-stamp recommendations," he says.

'Vote for Me' Despite My Odd Name

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running for a congressional seat in Illinois. He's up against Jesse Jackson, Jr., the current Democratic congressman and son of the Rev. Jesse Jackson.

Mr. Hayes, 36, is not the late singer-songwriter famed for the theme song from the 1970s cult film, "Shaft." The son of a minister, "my parents allegedly named me after Isaac in the Bible," he says. He didn't like that as a kid. Now, he says, "I think my mom and dad were geniuses."

Mr. Hayes, who is black, has themed his campaign, "Let's give Jesse the SHAFT."

He hasn't the money to conduct polls or use the Shaft riff for his radio advertisement, but Mr. Hayes says he is running a strong challenge to Mr. Jackson. The shared name, he believes, is an "icebreaker" among African-Americans suspicious of the politician's conservatism. Mr. Jackson's campaign says the congressman is still solidly in the lead. "I'm not the musician, but I do have hot-buttered soul," says Mr. Hayes, referring to the artist's 1969 album, "Hot Buttered Soul."

President Barack Obama is perhaps the best-known politician to successfully capitalize on his status as a new guy "with a funny-sounding name," as he still says on the stump. Political history is studded with arguably odder monikers. The current Congress boasts Rep. John Spratt (D., S.C.), who is known as Jack. Rep. Jerry Lewis (R., Calif.) trains his staff to respond politely to the half-dozen people who burst into his office each day looking for the other, funnier one.

Rep. Richard "Dick" Swett (D., N.H.) served in the House in the mid-1990s. The late mayor of Fort Wayne, Ind., Harry Baals, has a street named for him.



Isaac Hayes, above, doesn't sing but he is running for Congress in Illinois; Krystal Ball, below, works the phones in Fredericksburg, Va.

Krystal Ball, a 28-year old Democratic congressional candidate in Virginia, says her name is a "mixed bag" for a young woman hoping to be taken seriously. The alternative was her married name—Daryyani—which she assumed wouldn't prove as catchy. College students routinely steal Ms. Ball's campaign signs, she says, each emblazoned with a cosmic-looking orb, from the front of her Williamsburg, Va., headquarters. "Which is fine," she says.

Ms. Ball was named by her father, a physicist working with crystalline elements, when the third Ball daughter was born. The others go by the "normal, well, relatively normal" names of Heidi Ball and Holly Ball, Ms. Ball says. Ms. Ball had a setback recently when racy photos of her appeared on the Internet. Wearing a revealing costume and leading a former boyfriend around by a leash, she says the photos were taken at a party when she was just out of college and "acting like an idiot." "It was extraordinarily hurtful...but the media attention we've gotten

has been helpful," she says. She doesn't have a huge amount of money for advertising.

Green Party candidate for Illinois governor Rich Whitney is fighting bizarre-name backlash after his surname was misspelled as "Whitey" on touchscreen voting machines in some mostly black wards. Mr. Whitney, who is white, has questioned whether "machine politics" was at work. Election officials say it was an honest mistake.

Sen. Lisa Murkowski (R., Alaska) has a well-known political name. Her father, who formerly held the seat, appointed her to the job after winning the race for governor in 2002. After losing the primary to a tea-party candidate, she decided to continue her run as a write-in candidate. Since voters must write her name on the ballot, her campaign has prompted debates among campaign lawyers over what kind of misspellings would count. An early flub in an ad for her website, which directed voters to "LisaMurkwski.com," didn't help.

In addition to candidates with strange names, the 2010 campaign has seen at least four candidates named Strange. Luther Strange is the Republican candidate for Alabama attorney general. Rodney Strange is the Republican candidate for the 15th district seat on the Chemung County legislature in New York.

Back in Alabama, Young Boozier holds a solid lead over his challenger, a Democrat with the Dickensian-sounding name of Charley Grimsley. "Young Boozier is the Better Choice," crows the Birmingham News. Mr. Grimsley acknowledges that Mr. Boozier holds a big lead, saying it's because he's got an odd name—and lot more money to spend. "When you get somebody named Billy Bob or Young Boozier running for office it makes people around the world think Alabama is backward," Mr. Grimsley says. "It takes more than an odd name to be a good state treasurer."

At one point in his race, Mr. Boozier received a cryptic email. "I predict you are going to win your election," it read. It was sent by Krystal Ball.



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