MedPAC’s work on physician self-referral

Mark E. Miller, PhD
July 18, 2014
Overview

- Evidence shows link between physician self-referral and increased service volume
- Policies to limit the practice of self referral are vulnerable to gaming and difficult to enforce
- MedPAC recommended FFS payment policies to limit the financial incentive to self refer
- Payment policies that shift risk to providers (e.g., bundling, ACOs) should also reduce self referral incentive
What is the physician self-referral law ("Stark law")?

- Prohibits physicians from referring Medicare patients for "designated health services" to a provider with which physician has a financial relationship
- Designated health services: imaging, clinical lab tests, physical therapy, radiation therapy
- In-office ancillary services (IOAS) exception permits physicians to provide most services in their offices
Potential benefits and concerns of providing ancillary services in physicians’ offices

**Benefits**
- Enables physicians to make rapid diagnoses and initiate treatment during patient’s office visit
- Patient convenience
- Coordination of care

**Concerns**
- Studies find that physician self-referral associated with higher volume
- Unclear whether additional services are appropriate or contribute to improved outcomes
- Only 10% of advanced imaging services are performed on same day as office visit
Growth in the number of CT, MRI, and cardiac imaging services, 2000-2012

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2000</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT: head</td>
<td>124</td>
<td>206</td>
<td>206</td>
</tr>
<tr>
<td>CT: other</td>
<td>185</td>
<td>388</td>
<td>396</td>
</tr>
<tr>
<td>MRI: brain</td>
<td>44</td>
<td>76</td>
<td>75</td>
</tr>
<tr>
<td>MRI: other</td>
<td>58</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td>Echocardiography</td>
<td>-</td>
<td>158</td>
<td>238</td>
</tr>
<tr>
<td>Nuclear cardiology</td>
<td>67</td>
<td>80</td>
<td>74</td>
</tr>
</tbody>
</table>

Physician self-referral associated with higher volume

- Physicians who invest in imaging centers or have machines in their offices order more imaging than other physicians (GAO 1994)

- Orthopedists and neurologists who bought MRI machines began ordering more MRI scans (Baker 2010)

- Episodes of care with a self-referring physician
  - Were more likely to receive imaging than other episodes
  - Had higher spending than expected for imaging, adjusting for episode type and severity of illness (MedPAC 2009)

- Physician-owned cardiac hospitals associated with increase in cardiac surgeries in a market (MedPAC 2006)

- Physicians who acquired an ASC increased their procedure volume more rapidly than other physicians (Hollingsworth et al. 2010)
Evidence points to inappropriate use of imaging

- Study of repeat tests in Medicare (Welch et al. 2012)
  - One-third to one-half of tests were repeated within 3 years of initial test
  - In markets where beneficiaries receive more initial tests, they are more likely to have more repeat tests
- According to various studies, 7% - 26% of cardiac imaging tests are inappropriate based on clinical guidelines
- 36% of MRI scans for low back pain are not preceded by conservative treatment (MedPAC 2014)
Specialty societies identified commonly used tests that are often not necessary

- Imaging for uncomplicated headache (ACR)
- Imaging in patients with non-specific low back pain (ACP)
- Cardiac imaging for low-risk patients (ASNC)
- Stress cardiac imaging for patients without cardiac symptoms, unless high-risk markers present (ACC, ASNC)

Source: Choosing Wisely campaign, ABIM Foundation, 2012
Recommendation: Reduce payment for imaging and other tests when they are ordered and performed by same practitioner

- Efficiencies likely when imaging and other tests are ordered and performed by same practitioner

- Payment rate for interpreting a test includes reviewing patient’s history and records; ordering practitioner should already have this information

- Recommendation not adopted by Congress
Small share of physicians order more advanced imaging services

- Top 10% of physicians account for over half of advanced imaging use
- Share of physicians in top 10% who self-refer for advanced imaging*
  - 49% for nuclear medicine
  - 17% for CT
  - 14% for MRI

*Self-referring physicians are those who referred more than 50% of studies they order to physicians in their practice.
Recommendation: Prior authorization for practitioners who order significantly more advanced imaging services than peers

- Advanced imaging includes MRI, CT, nuclear medicine, and PET
- Would help ensure that physician “outliers” use imaging appropriately
- Would apply to both self-referring and non-self-referring providers
- GAO recommended that CMS examine feasibility of prior authorization (2008)
Recommendation: Combine discrete services provided during one encounter into single code

- AMA has process to review services frequently billed together to develop comprehensive codes
- Payment rate for comprehensive code should account for duplications in work and practice expense when multiple services provided together
- Process could be accelerated and expanded to include additional codes
Recommendation: Reduce payment rates for professional component of multiple imaging studies

- **GAO:** When pairs of imaging services performed together, certain physician work activities not duplicated

- Reducing payment rate for multiple studies would account for efficiencies

- CMS adopted 25% reduction for 2\textsuperscript{nd} and subsequent imaging services for 2012
Another example of self-referral: physician-owned specialty hospitals

- Number of specialty hospitals doubled from 2002 to 2004
- Costs for Medicare patients were not lower than at community hospitals, although specialty hospital patients had shorter lengths of stay
- Unable to determine whether quality was better
- Generally admitted less severe cases and concentrated on particular diagnosis-related groups (DRGs)
- MedPAC recommended correcting inpatient hospital payment system, which paid too much for some DRGs relative to others and too much for patients with relatively less severe conditions (led to creation of MS-DRGs)