Study: Medicare Rewards MDs For Overuse

Julie Steenhuysen, Reuters

Medicare's move in 2005 to pay doctors to do bladder cancer surgery in their offices rather than in hospitals dramatically raised the number of procedures and overall health costs, U.S. researchers say.

The findings reflect the complexity of cutting health costs in the United States, showing how in some cases Medicare—the insurance program for the elderly and disabled—gives doctors incentives to provide too much care, the researchers say.

Cutting costs and improving access for millions of Americans now without health insurance are major aims of President Barack Obama's efforts to overhaul the U.S. healthcare system but the legislation is stalled in Congress.

"It's incredibly complicated," says Dr. Micah Hemani, a bladder cancer expert at the New York University Langone Medical Center, who studied changes in treatment patterns in his group practice before and after the pay hike.

"What we found based on our billing data was that the number of procedures dramatically increased without a decline in the number of hospital-based procedures," Hemani, whose study appears in the journal Cancer, says in a telephone interview. "If you adjust for the growth of our practice and you are doing more of these procedures but your hospital-based ones don't decline, you are spending more money."

Bladder cancer is the most expensive of all cancers to treat, with an average cost from diagnosis to death ranging from $96,000 to $187,000, according to Hemani and colleagues.

In theory, the Centers for Medicare and Medicaid Services decision in 2005 to pay doctors extra to do the procedure in their offices would cost less than doing it in a hospital, he said.

Instead, the number of outpatient bladder cancer procedures in Hemani's group practice doubled after the Medicare pay hike and costs to Medicare rose 50 percent overall.

With doctors getting paid more to do the procedure in their offices, Hemani says, "the threshold seemed to be lower after the reimbursement change."

Hemani said doctors, policyholders and patients should realize that "despite best efforts, there are factors other than just evidence-based medicine that influence how physicians treat patients."

"One of those factors implied by our study is financial reimbursement," he says.

Dr. Len Lichtenfeld, deputy chief medical officer of the American Cancer Society and a member of the Relative Value Update Committee that advises Medicare on physician payments, said when doctors do procedures in their offices, Medicare compensates them for using their equipment.

This fee often far outstrips the actual cost of doing the procedure, creating what Lichtenfeld called "an incredible distortion."

"We've tried to deal with some of these questions," Lichtenfeld says in a telephone interview of his work on the committee, noting the Centers for Medicare and Medicaid Services is taking steps to reduce reimbursement to physicians for certain outpatient radiology and cardiology procedures.

"It's a very political question right now."

Last week, a study commissioned by the Community Oncology Alliance found that changes to Medicare meant community cancer centers were reimbursed for only about half the cost of administering chemotherapy.