

Lewin Group Analysis of H.R. 3200 Physician Payment Impact Fatally Flawed

This week, the Heritage Foundation released an analysis of H.R. 3200, the “American Affordable Health Choices Act of 2009,” prepared by the Lewin Group. That analysis includes a broad range of negative predictions about the impact the legislation will have on physicians, and on the health care system generally.

Every assumption that underpins the Lewin Group’s analysis of H.R. 3200 and its impact on physician payments is wrong.

- First, on page 4, the Lewin Group presents Figure 3, which shows a \$10.8 billion reduction in physician payments under the bill and sources this figure as coming from the Congressional Budget Office (CBO) on July 8, 2009. There is nothing in the CBO analysis of H.R. 3200 that supports the pay cuts that Lewin attributes to them, however.
- Lewin starts by completely dismissing the CBO score of \$228.5 billion for repealing the SGR. Since that is the CBO score, however, how can Lewin simply make it disappear? Lewin also does not account for the significant improvements in the update formula in H.R. 3200, beyond eliminating the forecast cuts. The bill’s target growth rate system: establishes two new targets with significantly higher utilization growth allowances than in the SGR; permanently excludes drug and lab test costs from the new targets; includes all Evaluation and Management services in the highest of the two new target growth rates, regardless of specialty; and ensures that the new targets automatically reset every five years so physicians cannot get into another deep hole.

- The CBO score shows that a number of other H.R. 3200 provisions also increase physician pay:

1123	Payments for efficient areas	+ \$0.5 billion
1124	Modifications to PQRI	+ \$1.6 billion
1125	Adjustments to Medicare payment localities	+ \$0.3 billion
1158	Revision of geographic adjustment factors	+ \$8.0 billion
1194	Extension of geographic floor for work	+ \$1.3 billion
1302	Medical home pilot program	+ \$1.8 billion
1303	Payment incentive for primary care services	+ \$6.4 billion
1309	Extension of physician fee schedule mental health add-on	<u>+ \$0.1 billion</u>
	TOTAL (on top of \$228.5 billion for SGR repeal)	+ \$20 billion

- This is offset by only one reduction in physician payment rates, so even with their dismissal of the cost of SGR repeal, the balance is still positive, not negative.

1147	Payment for imaging services	- \$4.3 billion
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- The deception continues as Lewin mischaracterizes the impact of expanding health insurance coverage on physician revenues and costs. Figure 8 indicates that there will be Medicare payment adjustments of -\$2.8 billion each year, whereas CBO shows positive Medicare payment adjustments, with the only negative being imaging cuts totaling -\$4.3 billion over 10 years.
- Then, Lewin assumes that millions of people will switch from private insurance plans that pay higher than Medicare rates into a public plan option that pays Medicare rates. There is a great deal of variation in private sector payment rates relative to Medicare, and Lewin’s owner, UnitedHealth

Group, is among the private payers that pay less than Medicare, not more, in some areas, or pay primary care physicians at lower rates than specialists relative to Medicare. Even the public plan option in H.R. 3200 will pay 5% above Medicare rates, which for many physicians will be more than United pays them.

- Lewin assumes that all physicians participate in the public plan, that all employers are permitted to participate in the public plan, and that payment rates to physicians in the public plan are equal to Medicare levels. It is far from certain that this will be the final version of the bill, and these three assumptions are key drivers of Lewin's estimates of the shift from private to public coverage and the impact on physician net income. These impacts would be much smaller with different assumptions:
 - Earlier analysis by Lewin indicated that enrollment in a public plan would be 25% to 40% smaller than their estimate for Heritage. The earlier numbers were based on payment rates set at the midpoint of private and Medicare levels.
 - Lewin's earlier work indicated that under Medicare payment levels, public plan enrollment would be 66% smaller if eligibility were limited to small employers and persons without employer-sponsored insurance offers than if enrollment were open to all.
 - AMA calculations based on this work suggest that the negative impact on physician net income with limited employer eligibility would be about one-tenth of what it would be when all employers are permitted to participate.
- Lewin assumes all providers will participate in a public plan regardless of what it pays, even though participation is entirely voluntary. Clearly, if payments are too low, providers will refuse to participate.
- Lewin assumes people will choose coverage based only on the cost of coverage. Price is an important factor, but it's hardly the only one. Both individuals and employers also factor in differences in provider networks, administrative ease, and the hassle factor in getting care and payment under different insurers.
- Given their previous work which indicates that enrollment effects are very sensitive to payment and eligibility criteria, it seems disingenuous for Lewin to present as their sole analysis one that makes these extreme assumptions.