MEDICARE PHYSICIAN PAYMENT RATES:
Better Data and Greater Transparency Could Improve Accuracy

The American Medical Association/Specialty Society Relative Value Scale Update Committee (RUC) has a process in place to regularly review Medicare physician work relative value units (RVUs). According to the Government Accountability Office (GAO), RUC recommendations to the Centers for Medicare & Medicaid Services (CMS) may not be accurate due to process and data-related weaknesses. CMS sets payment rates for about 7,000 physicians’ services primarily on the basis of the RVUs assigned to each service. Relative values largely reflect estimates of the physician work and practice expenses needed to provide one service relative to other services. Payments for Medicare physicians’ services totaled about $70 billion in 2013.

The Protecting Access to Medicare Act of 2014 included a provision for the GAO to study the RUC’s process for developing relative value recommendations for CMS. GAO evaluated (1) the RUC’s process for recommending relative values for CMS to consider when setting Medicare payment rates; and (2) CMS’s process for establishing relative values, including how it uses RUC recommendations. GAO reviewed RUC and CMS documents and applicable statutes and internal control standards, analyzed RUC and CMS data for payment years 2011 through 2015, and interviewed RUC staff and CMS officials.

The GAO recommended that CMS should better document its process for establishing relative values and develop a process to inform the public of potentially misvalued services identified by the RUC. CMS should also develop a plan for using funds appropriated for the collection and use of information on physicians’ services in the determination of RVUs. CMS agreed with two of GAO’s recommendations, but disagreed with using rulemaking to inform the public of RUC-identified services.

To review the GAO report, see website below: