CENTER for STUDYING HEALTH SYSTEM CHANGE

ACCESS TO CARE

Tracking Report

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Physician Acceptance of New Medicare Patients Stabilizes in 2004-05

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Despite an earlier Medicare payment rate reduction, the proportion of U.S. physicians accepting Medicare patients stabilized in 2004-05, with nearly three-quarters saying their practices were open to all new Medicare patients, according to a new study by the Center for Studying Health System Change (HSC). In 2004-05, 72.9 percent of physicians reported accepting all new Medicare patients, statistically unchanged from 71.1 percent in 2000-01. Only 3.4 percent of physicians reported that their practices were completely closed to new Medicare patients in 2004-05, also statistically unchanged from 2000-01. These trends indicate the decline in Medicare physician access observed between 1996-97 and 2000-01 leveled off in 2004-05. In fact, Medicare beneficiaries' access to primary care physicians increased between 2000-01 and 2004-05, reversing an earlier decline. Among privately insured patients, trends in physician access are similar to those for Medicare patients, suggesting that overall health system dynamics have played a larger role in physician decisions about accepting Medicare patients than have Medicare payment policies.

BENEFICIARY ACCESS TO PHYSICIANS INFLUENCES MEDICARE PAYMENT DEBATE

The congressional debate about Medicare physician payment policy is driven in part by concerns that payment rate cuts could harm beneficiary access to physicians. Medicare physician payment rates decreased by 5.4 percent in 2002 and 4.4 percent in 2003 and were expected to decline even more in subsequent years. In response, Congress repealed the 2003 decrease, suspended the Medicare physician payment formula, and increased physician payments by about 1.5 percent annually in 2003, 2004 and 2005, effectively offsetting over time most of the 2002 cut.

Congress in the Deficit Reduction Act of 2005 approved a freeze of physician payment levels in 2006 to avert a 4.4 percent reduction, which was slated because of continued high annual growth in the volume of Medicare physician services. While both the House and Senate approved the physician payment freeze, a procedural issue delayed final approval of the legislation, allowing the 4.4 percent cut to occur Jan. 1. Congress is expected to quickly rescind the reduction once it reconvenes. Physician advocates have warned that physician payment reductions would dramatically decrease physician willingness to treat Medicare patients and decrease beneficiary access to physicians.[1]

TABLE 1: **Physician Acceptance of New Medicare and Privately Insured Patients**

	1996-97	2000-01	2004-05
Medicare Patients			
Accepting No New Patients	3.1%	3.8%#	3.4%
Accepting Some	9.5	10.2	9.7
Accepting Most	12.8	15.0#	14.0
Accepting All	74.6	71.1#	72.9
Privately Insured Patients			
Accepting No New Patients	3.6	4.9#	4.3
Accepting Some	9.7	10.3	9.2
Accepting Most	15.9	16.6	14.8
Accepting All	70.8	68.2#	71.8*

* Change from 2000-01 is statistically significant at p <.05.
# Change from 1996-97 is statistically significant at p <.05.
Note: Medicare rates exclude pediatricians, pediatric specialists, nephrologists and physicians accepting no new privately insured patients.
Source: Community Tracking Study Physician Survey

PHYSICIAN ACCESS STABILIZES

Findings from HSC's 2004-05 Community Tracking Study Physician Survey (see Data Source) show that Medicare access to physicians remains high and has stabilized in recent years, after declining between 1996-97 and 2000-01.

About 73 percent of physicians accepted all new Medicare patients in 2004-05, and only 3.4 percent accepted no new Medicare patients (see Table 1). While the proportion of physicians accepting all new Medicare patients in 2004-05 increased from 71.1 percent in 2000-01, the change was not statistically significant.

The proportion of primary care physicians accepting all new Medicare patients increased significantly, from 61.7 percent in 2000-01 to 65.3 percent in 2004-05

An HSC study of Medicare beneficiaries also indicated that access to physician services stabilized between 2001 and 2003, after an earlier decline.[2]

Physician acceptance of Medicare patients stabilized between 2000-01 and 2004-05 despite a small net decrease in Medicare physician payment rates between 2002 and 2005.While Medicare physician payment undoubtedly factors into individual physician's decisions to accept Medicare patients, it's less clear that changes in Medicare physician payment are a key factor driving changes in the overall proportion of physicians accepting Medicare patients. For example, while physician payment rates rose sharply between 1997 and 2001, the percentage of physicians accepting all new Medicare patients declined between 1996-97 and 2000-01.[3]

It is likely that changes in overall health care system dynamics are a more important reason for changes in physician acceptance of Medicare patients. Physician acceptance of all privately insured patients has followed the same general trend as acceptance of Medicare patients, decreasing between 1996-97 and 2000-01, and then increasing significantly after 2001. These trends may be explained by the fact that growing physician capacity constraints between 1997 and 2001 have eased somewhat, decreasing the pressure on physicians to limit the number of new patients in their practices.[4]

In fact, sharp increases in the number of physician office visits during the late 1990s have abated in recent years, increasing by about 1.5 percent annually between 2001 and 2003, compared with average annual increases of about 4 percent between 1996 and 2001.[5] Among patients 65 and older, the number of physician office visits was unchanged between 2001 and 2003, after having increased about 5 percent annually between 1996 and 2001.

Data Source

This Tracking Report presents findings from the HSC Community Tracking Study Physician Survey, a nationally representative telephone survey of physicians involved in direct patient care in the continental United States conducted in 1996-97, 2000-01 and 2004-2005. The sample of physicians was drawn from the American Medical Association and the American Osteopathic Association master files and included active, nonfederal, office- and hospital-based physicians who spent at least 20 hours a week in direct patient care. Residents and fellows were excluded. The 1996-97 and 2000-01 surveys each contain information on about 12,000 physicians, while the 2004-05 survey includes responses from more than 6,600 physicians. The response rates ranged from 52 percent to 65 percent. More detailed information on survey methodology can be found at *www.hschange.org.*

CTSonline, a Web-based interactive system for results from the CTS Physician Survey, is available at *www.hschange.org.*

PRIMARY CARE ACCESS INCREASES

Although there was no overall change in Medicare acceptance rates by physicians, the proportion of primary care physicians (PCPs) accepting all new Medicare patients increased significantly, from 61.7 percent in 2000-01 to 65.3 percent in 2004-05 (see Table 2). There was no change in Medicare acceptance by medical and surgical specialists during this period, although specialists are still more likely to accept all new Medicare patients compared with PCPs.

The increase in Medicare acceptance among PCPs may be related to the increase in Medicare acceptance among physicians with the lowest practice incomes—less than $120,000 a year in 2003. For these physicians, the proportion accepting all new Medicare patients increased from 65.2 percent in 2000-01 to 72.2 percent in 2004-05. Medicare acceptance rates for physicians with higher practice incomes remained steady during this period.

The result of these changes is a substantial narrowing of differences in Medicare acceptance by practice income. Before 2004-05, physicians with higher practice incomes were significantly more likely to accept Medicare patients compared with physicians with the lowest practice incomes. However, differences in Medicare acceptance rates by practice income were no longer statistically significant in 2004-05.

To some extent, this reflects the fact that physicians with lower practice incomes tend to be primary care physicians, whose Medicare acceptance rates have increased in recent years. Indeed, PCPs with the lowest practice revenues—less than $100,000 a year—had the greatest increase in Medicare acceptance, from 59.5 percent in 2000-01 to 68.1 percent in 2004-05 (findings not shown). Physician incomes—after adjusting for general inflation—declined from 1995 to 1999, with PCPs seeing the greatest decreases in practice income.[6] With continued constraints on fees from both public and private payers, as well as greater cost sharing for many privately insured patients that may result in more bad debt for physicians, opening up practices to more patients may be one of the few options for physicians facing financial pressures to maintain or increase revenue.

TABLE 2: **Physicians Accepting All New Medicare Patients, by Physician Characteristics**

	1996-97	2000-01	2004-05
All Physicians	74.6%	71.1%#	72.9%
Specialty			
Primary Care	66.3	61.7#	65.3*
Medical Specialist	76.3	78.9#	79.4#
Surgical Specialist	81.5	73.0#	73.1#
Practice Income in Prior Year			
Less than $120,000	69.1	65.2#	72.2*
$120,000 to $250,000	73.5	70.0#	70.8
$250,000 or Higher	79.8	76.6#	76.5
Medicare Revenue			
≤ 10%	59.2	54.6#	59.4
11-29%	73.9	68.3#	67.6#
30-49%	79.2	76.9	75.9
≥ 50%	79.8	75.9#	80.9*
Practice Type			
Solo/2 Physicians	67.2	61.5#	64.4
Small Group	78.0	75.2	71.5#
Group 11-50	84.4	79.8#	81.7
Group 50+	81.3	72.5#	73.7
Group/Staff HMO	77.9	69.0#	73.7
Medical School	80.7	78.6	82.2
Hospital	79.8	76.2	80.8
Other	79.0	75.5	76.6
Ownership			
Full or Part Owner	71.8	67.6#	69.4
Nonowner	79.4	75.8#	77.3

* Change from 2000-01 is statistically significant at $p < .05$.
# Change from 1996-97 is statistically significant at $p < .05$.
Note: Excludes pediatricians, pediatric specialists, nephrologists and physicians accepting no new privately insured patients.
Source: Community Tracking Study Physician Survey

MEDICARE PRACTICE REVENUE

Not surprisingly, physicians who derive most of their practice revenue from Medicare—50 percent or more—have the highest levels of Medicare acceptance—80.9 percent in 2004-05, up from 75.9 percent in 2000-01, after an earlier decline.

More surprising is that physicians with relatively few Medicare patients—10 percent or less of their practice revenue—increased their level of Medicare acceptance between 2000-01 and 2004-05, also after an earlier decline, although the change between 2000-01 and 2004-05 was statistically significant only at the .10 level. These physicians still have lower Medicare acceptance rates compared with physicians with higher levels of Medicare involvement, but physicians with relatively few Medicare patients may be increasing the number of Medicare patients in their practices to offset stagnant private pay revenues.

Despite fluctuations in both Medicare physician payment and access during the past 10 years, access to physicians remains high among Medicare beneficiaries.

PAYMENT NOT THE ONLY CONCERN

Among physicians not accepting any new Medicare patients in 2004-05, more than two-thirds (69.2 percent) cited inadequate reimbursement as a moderately or very important reason for not accepting new patients (see Table 3).

While reimbursement concerns were the most frequently cited reason for declining new Medicare patients, other reasons also were important. Billing requirements and paperwork associated with Medicare patients were cited by 61 percent of physicians, 44.8 percent mentioned Medicare patients' high clinical burden, and 40.6 percent reported their practice was too full to accept new patients. About one-fourth of physicians mentioned concerns about an audit as a reason for not accepting new Medicare patients.

IMPLICATIONS

Despite fluctuations in both Medicare physician payment and access during the past 10 years, access to physicians remains high among Medicare beneficiaries. Indeed, Medicare physician access is comparable to physician access for the privately insured, despite the fact that Medicare payment rates are about 20 percent lower than private insurance rates on average.[7] Only about 3 percent of physicians who are accepting any new privately insured patients have closed their practices to new Medicare patients, and this has not changed greatly during the past 10 years.

While much of the concern about physician access for Medicare beneficiaries has focused on physician payment, policy makers should recognize that Medicare fee levels are only one of many health system factors that affect physician decisions to accept new patients. As discussed earlier, sharp increases in the

TABLE 3: Physician Reasons for Not Accepting New Medicare Patients

	Percent Who Say Reason is Moderately/Very Important
Inadequate Reimbursement	69.2
Billing Requirements/Paperwork	61.0
High Clinical Burden of Medicare Patients	44.8
Practice is Full	40.6
Concern About Audit	27.8

Note: Sample includes only physicians who reported they were accepting no new Medicare patients in 2004-05.
Source: Community Tracking Study Physician Survey

number of physician office visits before 2001 have leveled off, likely easing capacity constraints and allowing physicians greater ability to accept new patients.

At the same time, the volume of physician services provided to Medicare beneficiaries continues to increase, largely because of increases in the number of tests and procedures. For example, minor procedures, which account for 20 percent of Medicare payments to physicians, increased an average of 6 percent annually between 1999 and 2003, and 18 percent between 2003 and 2004.[8] The continued strong growth in tests and procedures, which tend to be more lucrative than physician office visits, may have helped to offset the lack of significant fee increases in the past four years in terms of the financial attractiveness of Medicare patients to physicians.

Also, physicians likely consider Medicare payment rates in the context of what they receive from other payers, especially private insurers. In this context, Medicare payment as a percentage of private insurer payments has increased substantially in the past 10 years, from about 71 percent on average in 1996 to 81 percent in 2003.[9] And Medicare fees are still much more generous than Medicaid fees, despite the fact that Medicaid fees increased relative to Medicare between 1998 and 2003—from 64 percent of Medicare in 1998 to 69 percent in 2003.[10]

Given rapidly rising private insurance premiums, private payers' pressure to keep physician payment rate increases to a minimum is likely to continue. In addition, continued decreases in the number of privately insured Americans, along with increases in the number of people with Medicaid or who are uninsured, may make it increasingly difficult for physicians to substitute higher paying privately insured patients for Medicare patients.

Perhaps the greater risk is not that stagnant Medicare payment levels will reduce Medicare beneficiaries' access to physicians, but that continued financial pressure from all payers and declining incomes will compel physicians to limit patients that generate the least revenue, especially Medicaid and uninsured patients.

NOTES

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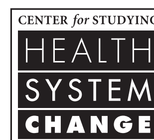

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