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The Impact of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003

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The Impact of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003

Given the complexity of the approximately seven hundred pages that make up the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, we are providing a snapshot summary describing the legislation's impact on the key stakeholders.

Medicare Beneficiaries

In general, there is a significant expansion of benefits in terms of pharmacy benefits, managed care plan options, and preventive care coverage. Medicare will now cover initial preventative physical examinations in addition to screening services such as pelvic exams, prostate cancer screening, colorectal cancer screening, diabetes outpatient self-management, bone mass measurement, glaucoma screening, and cardiovascular and diabetes screening tests. There are also demonstration programs scheduled for certain new benefits which include additional chiropractic services, adult day care services, consumer-directed chronic outpatient services, continuity care for chronic patients, small provider technical assistance services, beneficiary outreach services through Social Security offices, and pediatric palliative care.

Managed Care Plans

The Medicare+Choice program is renamed the Medicare Advantage program. There are both near-term payment increases as well as additional funds totaling $12 billion to entice plans into the Medicare Advantage program beginning in 2006. Despite these positive improvements, it is important to remember that the government has not always been a great business partner. The concern is that tight budgets would lead to payment cuts and revisions that would reduce the attractiveness of participating in the Medicare Advantage program in the future.

Physicians

Rather than the expected 4.5% payment cut due in 2004, physicians will see a minimum payment increase of 1.5% in 2004 and 2005. For oncologists and others that provide Medicare-covered drugs, Medicare payment for Part B-covered drugs will be reduced from the current 95% of average wholesale price to 106% of average sales price. In addition, payments could be reduced further to a "widely available market price" where appropriate.

Rural Physicians

The bill provides for a substantial increase for rural physicians in the form of a floor on physician geographic work index, which will result in approximately one billion dollars in additional payments over ten years. There is also a five percent bonus for physician payments in "scarcity areas."

Pharmaceutical Manufacturers

As a result of the Medicare Pharmacy Benefit, there will be an increase in the demand for both name brand and generic medications. In addition, the bill

specifically prohibits the federal government from imposing price controls and limits the ability of prescription drug plans to control utilization through formulary restrictions. It allows drug re-importation from Canada only, and only after the Secretary of Health and Human Services certifies that reimportation is safe and provides for cost savings—a move that is unlikely to happen.

Hospitals

Hospitals that agree to submit quality outcome data to the Centers for Medicare and Medicaid Services will receive a full market basket update for the next several years. Graduate medical education payments will be reduced through the expansion of the limitation on high cost programs, although indirect medical education subsidy payments are increased by $400 million.

Long-term Care (LTC) Facilities

LTC facilities may experience some benefits as a result of Medicare relieving the state burden of a percentage of their prescription drug costs now that Medicare is the payor for prescriptions rather than Medicaid. In addition, the therapy cap will not be applied for at least two years.

Hospice Agencies

Nurse practitioners will now be recognized as attending physicians for hospice patients. Also, hospice consultation services provided by a physician will be covered under Medicare. Examples of these services include evaluating for pain and symptom management, counseling with respect to end-of-life care, and advising on advanced care planning.

Home Health Agencies

In addition to a decrease in payments, there is additional concern for future Medicare payments, as the bill calls for MedPAC to study home health profit margins, which is expected to result in further cuts. On a slightly positive note, Medicare has suspended the requirement for OASIS data collection for non-Medicare and Medicaid patients.

Ambulatory Surgical Centers (ASC)

ASCs will see an immediate payment reduction, as well as a long-term freeze in payments rates. In addition, ASCs will move toward a new prospective payment system.

About the Author

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