



Medicare Reform: The Present Danger

To the extent that physicians paid attention to the recently legislated Medicare Reform Act they focused on the positive news that physician reimbursement in 2004 will be increased an average of 1.5% instead of reduced 4%. But accompanying this good news is the dark side of Medicare reform that threatens those medical practices treating a significant number of Medicare covered patients.

This threat can be summed up in three words: Medicare Managed Care.

The federal government will now pay managed care companies significantly more to lure them back into the Medicare market. And Nassau and Suffolk counties are viewed by the managed care industry as prime targets of opportunity. For example, Oxford Health Plans has already indicated it plans to return to the Long Island market.

What does the return of Medicare Managed Care mean to doctors like you? Just compare your experience treating managed care patients versus traditional Medicare patients.

Unlike treating managed care patients, physicians have greater flexibility in seeing and treating their traditional Medicare-covered patients (including performing office based testing), experience little if any associated administrative burdens, and receive relatively reasonable reimbursement.

Experience has shown that none of this is true with Managed Care in general and Medicare Managed Care in particular.

What can physicians expect from Medicare Managed Care?

For starters, get ready for the same bureaucratic procedures that are applied to your younger managed care patients. This includes referrals, pre-certifications, limited choices of physicians and other providers, and coping with varying rules and requirements. This can only consume more of your precious time while increasing the need for

additional office personnel support.

You can also expect that the managed care companies will apply the same physician reimbursement fees used in their commercial products to their Medicare business. This means fees that generally range from 60% to 90% of traditional Medicare's fees. And this does not include losing the right to perform and be paid for various office based ancillary services.

You can look forward to receiving this significant reduction in revenue in exchange for treating an aged population who consume and require far more of your time and attention than do your younger and generally healthier managed care patients.

This will only be further exacerbated by the fact that the federal government will make even larger payments to managed care companies for covering sicker Medicare patients.

Is the situation hopeless?

The return of Medicare Managed Care can only succeed if there is compliant participation by a large number of physicians. Unless managed care companies can secure a large enough network of participating physicians, they will not succeed in attracting Medicare beneficiaries to their product.

In the coming months you can expect to receive solicitations from managed care companies to participate in their Medicare products. This may take the form of entirely new contracts, or brief letters of agreements for your signature, or amendments to your existing managed care contracts. (In the case of contracts that contain "all-products" clauses, you may simply receive notice that you are now in their Medicare managed care network.)

What's to be done?

First and foremost, physicians should be on the look out for any communication from a managed care company about Medicare. Tell your staff to alert you to such communications and to refrain from responding without first checking with you and receiving your informed consent.

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Second, physicians should contact and consult with the P.O. before signing any agreements, amendments or any other document about Medicare managed care plans.

Third, perform a Medicare Managed Care economic impact analysis that simulates practice revenue assuming your traditional Medicare patients converted to Managed Care with the concomitant reduction in reimbursement fees.

When performing this analysis don't forget to factor in the additional time that senior patients require. It would be mistaken to assume an equal number of patients seen per hour between Medicare and Commercial Managed Care covered patients. For example, let's say, hypothetically, you may be able to treat between 4 and 5 commercial managed care patients per hour compared to only 3 Medicare patients. Under this scenario, for purposes of

assessing the impact on practice revenues by a large shift to Managed Care by Medicare patients, the Managed Care fees would have to be discounted 25% - 40% below their already reduced fees.

Finally, educate your patients about the adverse consequences for them if they are lured into Medicare Managed Care including distributing to them relevant written information such as the enclosed handout that includes a recent *Wall Street Journal* article about a Great Neck woman who refuses to be fooled again by Medicare Managed Care.

Remember, there is only one thing more costly than losing a Medicare patient to another physician who decides to participate in a Medicare managed care plan: keeping that money-losing patient by participating in a Medicare managed care plan. ▲

Look Before You Leap!

See Table below

			COMMERCIAL MANAGED CARE FEES AS A % OF MEDICARE					
SERVICE	CODE	MEDICARE	Plan A	Plan B	Plan C	Plan D	Plan E	Plan F
OUTPATIENT VISIT NEW PATIENT	99202	\$76.18	72.20%	110.92%	72.20%	70.92%	70.88%	84.27%
	99203	\$113.19	57.43%	74.65%	57.43%	64.85%	61.84%	84.61%
	99204	\$158.66	56.20%	53.26%	53.57%	68.65%	61.14%	85.23%
	99205	\$200.32	54.75%	72.38%	49.92%	67.55%	54.91%	85.29%
OUTPATIENT VISIT ESTABLISHED PATIENT	99211	\$25.69	132.35%	100.90%	97.31%	61.42%	97.31%	85.75%
	99212	\$44.56	98.74%	112.86%	78.55%	66.81%	69.57%	85.75%
	99213	\$62.20	86.82%	80.85%	72.35%	68.14%	70.74%	84.86%
	99214	\$96.40	61.74%	52.17%	59.13%	65.63%	65.35%	85.38%
	99215	\$138.45	55.25%	65.01%	59.23%	72.05%	65.01%	86.46%
CONSULT	99243	\$141.89	70.29%	112.76%	49.33%	73.73%	76.12%	84.85%
	99244	\$199.52	62.30%	80.19%	35.08%	72.64%	74.68%	85.00%
	99245	\$256.60	59.07%	90.31%	27.28%	76.32%	69.76%	85.29%
HOSPITAL INITIAL	99221	\$76.25		94.43%	78.69%		99.67%	85.50%
	99222	\$126.88	71.33%	70.93%	47.29%	95.33%	81.97%	85.24%
	99223	\$176.18	79.75%	68.11%	34.06%	86.58%	69.81%	85.53%
HOSPITAL SUBSEQUENT	99231	\$37.66		92.94%	79.66%	104.28%	103.56%	86.43%
	99232	\$62.34	94.64%	80.21%	48.12%	91.26%	62.56%	85.71%
	99233	\$88.69	84.50%	68.78%	33.83%	88.93%	82.31%	85.98%

Weapons of Mass Medicare Destruction

A Message from the President • Bruce Kappel, M.D.

This issue of the *Corridor Connection* is devoted to the return of Medicare Managed Care to Long Island - and the potential for mass migration out of Traditional Medicare into Medicare Managed Care that is a real and imminent threat.

Our patients are about to be marketed and seduced into give up their traditional Medicare coverage. They will have a host of managed care companies vying for their attention, including many of the same ones that abandoned them over the past three years. Lavished with significant increases in federal funding as result of Medicare reform, these Medicare HMOs will be offering new and better benefits to your patients who in turn will be pressuring you to participate.

WATCH OUT!

This is an important moment for many physicians who have been suffering economically and professionally as a result of their managed care experiences. Each of us has an opportunity not to repeat the mistakes of the past. Before I go any further, I must first state unequivocally that each practice must make their own individual decisions based on their own circumstances.

Our role at POCLI is to give you the information and analytic tools you need to make a rational decision. Once you do a "pro-forma" economic impact analysis of the conversion of your Traditional Medicare revenues to managed care revenues, you will understand the economic consequences of a decision to participate in Medicare Managed Care.

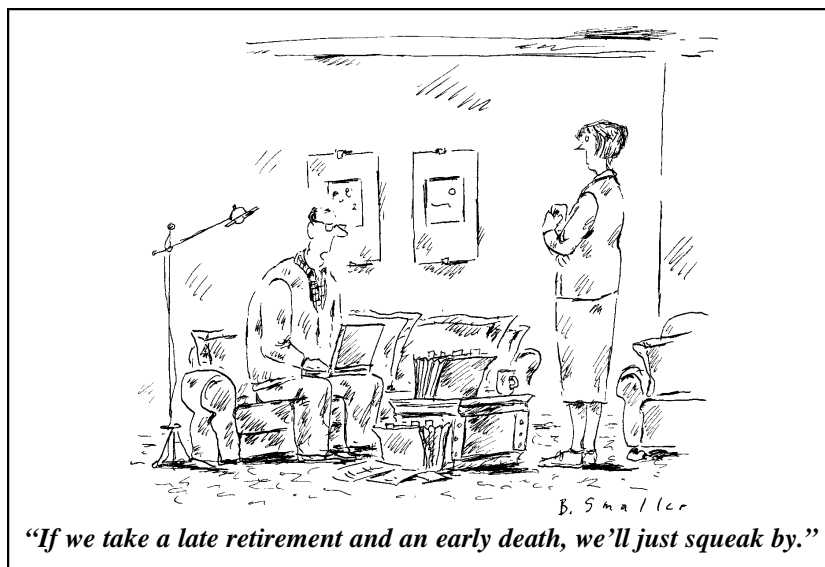
While it might be a little more difficult to quantify the impact on the day-to-day operations of your practice, by now you have a good idea what to expect from managed care and its likely administrative costs and related hassles (e.g., pre-authorizations, formulary checks, restricted referral networks, imaging and lab restrictions, coding and billing rules, etc., etc. etc.).

In order to facilitate your education, POCLI has scheduled a **special seminar on March 24 at 6:30 PM at New Island Hospital**. Since all things begin with the primary care physicians, I especially urge all Family Practitioners and Internists to attend.

When it comes to answering your patients who ask about the wonderful deal that Medicare Managed Care companies are dangling in front of them, you must be prepared to answer. To this end, included in this issue is a special patient handout. Upon request, we will make limited number of copies available to you. The handout will also be available to download from our website at www.POCLI.com. This will allow you to quickly make copies for your patients.

For those without Internet access (yet still another reason to bring the Internet to your office), please make copies until we can get a supply to you. There is no doubt that patients will approach you about this subject. You need to have a frank and honest discussion and recognize that for some of your patients, managed care may be their best option. However, that is not necessarily true for you both in terms of economics and your ability to deliver quality medical care to your patients. ▲

On the Lighter Side



Important Seminar on Medicare Managed Care

**Topic: Medicare Reform and Its Impact on Physician Practices -
The Return of Medicare Managed Care**



**When: Wednesday, March 24, 2004
6:30 P.M.**

Where: New Island Hospital

*This seminar is especially important for primary care physicians
who will be the first to bear the brunt of patient pressure.*

You will learn:

- How to avoid practice-damaging consequences
- How to evaluate practice financial impact
- What to expect from managed care plans
- How to address/educate your patients

the **Corridor Connection**

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