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# ***Trends in Medicare Bonus Payments to Health Professional Shortage Areas and Possible Implications for Access to Care***

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# Access to Medicare Services in Rural Areas

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- **Access to health care services for rural elderly is ongoing policy concern**
- **Rural communities face difficulties recruiting and retaining physicians**
- **This study is part of a larger study to examine how Medicare payment policies affect access to health care services in rural areas for Medicare beneficiaries**

# Policy Framework

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- **Bonus Payments are one of several policies designed to protect and increase access to physician's services in rural and inner-city areas**
- **Other policies/programs include:**
  - **National Health Service Corps (NHSC)**
  - **Community/Migrant Health Centers**
  - **Special payments to rural health clinics and Federally Qualified Health Centers**
  - **Making non-physician practitioners (NPPs) eligible for direct reimbursement**

# Medicare Physician Bonus Payments

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- **Enacted by Congress in 1989**
  - 5% bonus paid to physicians in addition to amount allowed by Medicare
  - Only services provided in rural HPSAs eligible
- **Expanded in 1991**
  - Bonus payment increased to 10% of allowed amount
  - Expanded eligibility to pay bonuses to physicians for services provided in urban HPSAs

# Health Care Shortage Areas

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- **To be eligible for a bonus payment, service providers must operate in underserved areas**
- **Underserved areas designated by HRSA**
- **Services provided in Health Professional Shortage Areas (HPSAs) eligible for bonus payment**
  - **Geographic area or population having physician to population ratio of less than 1:3,500**
  - **Additional criteria: national area for delivery of services, high need for primary care services, or insufficient capacity of current providers**

# How Bonus Payments are Paid

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- **Rules for claiming bonus payment in the Medicare Carrier's Manual**
- **Carriers responsible for:**
  - Educating physicians about availability of bonus payments
  - Paying bonus payments to physicians quarterly
  - Performing post-payment review of physician's claims
- **Physician's responsible for indicating which claims are eligible for bonus**
  - Modifier to the HCFA Common Procedure Coding System (HCPCS) indicates services eligible for bonus
  - Only professional component of service eligible for bonus

# Analytic Questions

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- **How have basic physician payments and bonus payments for services provided to rural Medicare beneficiaries changed over time?**
- **How has the distribution of bonus payments across primary and specialty care physicians changed over time?**
- **What are the trends in the mix of primary care and other services that have a bonus payment attached?**

# Data

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- **Used physician/supplier Medicare claims data for the 5% beneficiary sample residing in non-MSAs**
- **Merged data with Area Resource File (ARF)**
  - Identified services provided to beneficiaries according to county location of residence
  - Determined beneficiary residence in a HPSA
- **Analyzed data for 1992, 1994, 1996, 1998**



# Methods

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- **Trends in utilization and spending on health care services were analyzed for Medicare beneficiaries residing in rural areas, *by beneficiary location* rather than physician practice location or site of care**
  - **Physician/Supplier claims data only identify the county of beneficiary residence and zip code of provider location**
  - **Not possible to define county of service (and therefore rural/urban HPSA)**

# Key Measures (1)

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## ➤ HPSA designation

- ARF includes HPSA designations for 1993, 1995, 1996, and 1997
- Matched HPSA designation to nearest year of claims data
- Distinguished whole- and partial-county HPSAs

## ➤ Physician's services

- Health care providers eligible to receive bonus payments include:
  - ◆ Medical doctors, doctors of osteopathy, dentists, podiatrists, licensed chiropractors, and optometrists
  - ◆ Identified physician's services in claims through HCFA Specialty Codes

# Key Measures (2)

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## ➤ Primary Care Physicians

- General practice, Family practice, and Internal medicine
- All others: 'Other Specialists'
  - ◆ Studied Cardiology, General Surgery, Urology, and Gynecology separately

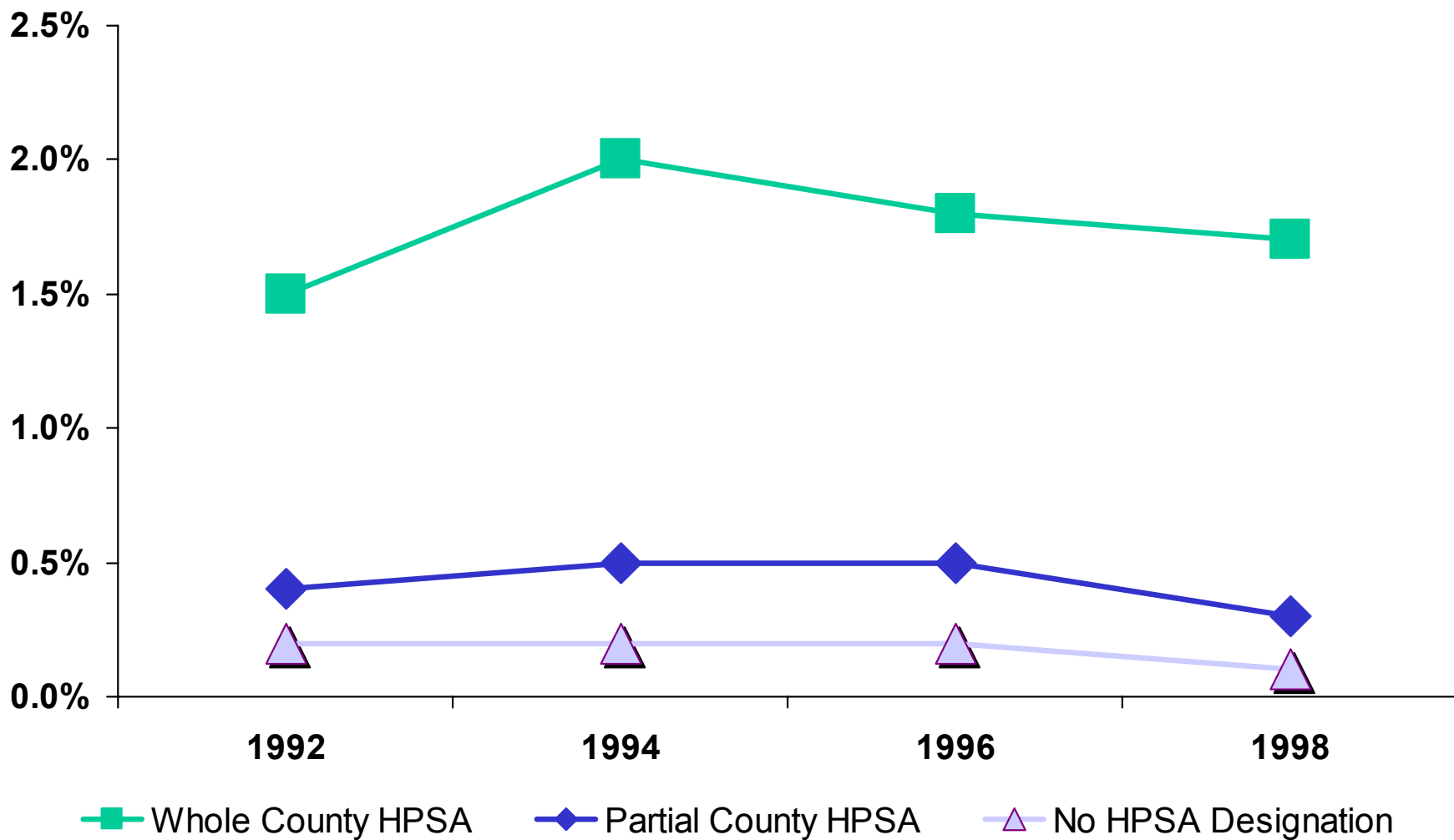
## ➤ Primary Care Services

- Used definition from OBRA-87
- 'Evaluation & Management' services in CPT

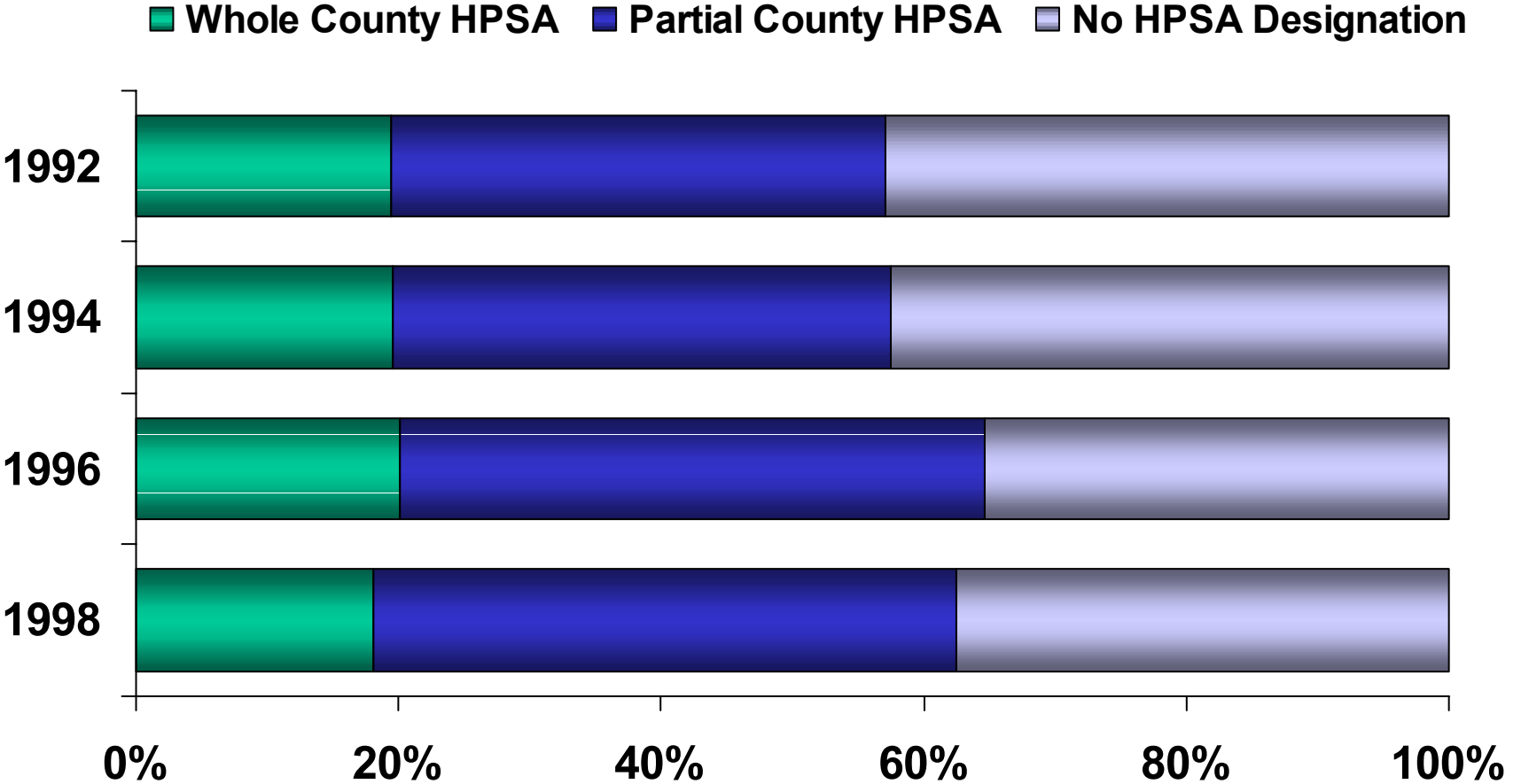
# Distribution of Medicare Payments to Physicians and Bonus Payments

	Spending by Medicare			
	1992	1994	1996	1998
<b>All non-metropolitan areas (\$1,000,000)</b>				
Basic payments	\$5,025	\$5,927	\$6,739	\$7,389
Bonus payments	25	39	42	36
<b>Bonus per beneficiary</b>	<b>\$3</b>	<b>\$4</b>	<b>\$5</b>	<b>\$4</b>
<b>Bonus as % of basic:</b>				
All non-metropolitan	0.5%	0.7%	0.6%	0.5%
Whole-county HPSA	1.5	2.0	1.8	1.7
Partial-county HPSA	0.4	0.5	0.5	0.3
Not HPSA designated	0.2	0.2	0.2	0.1

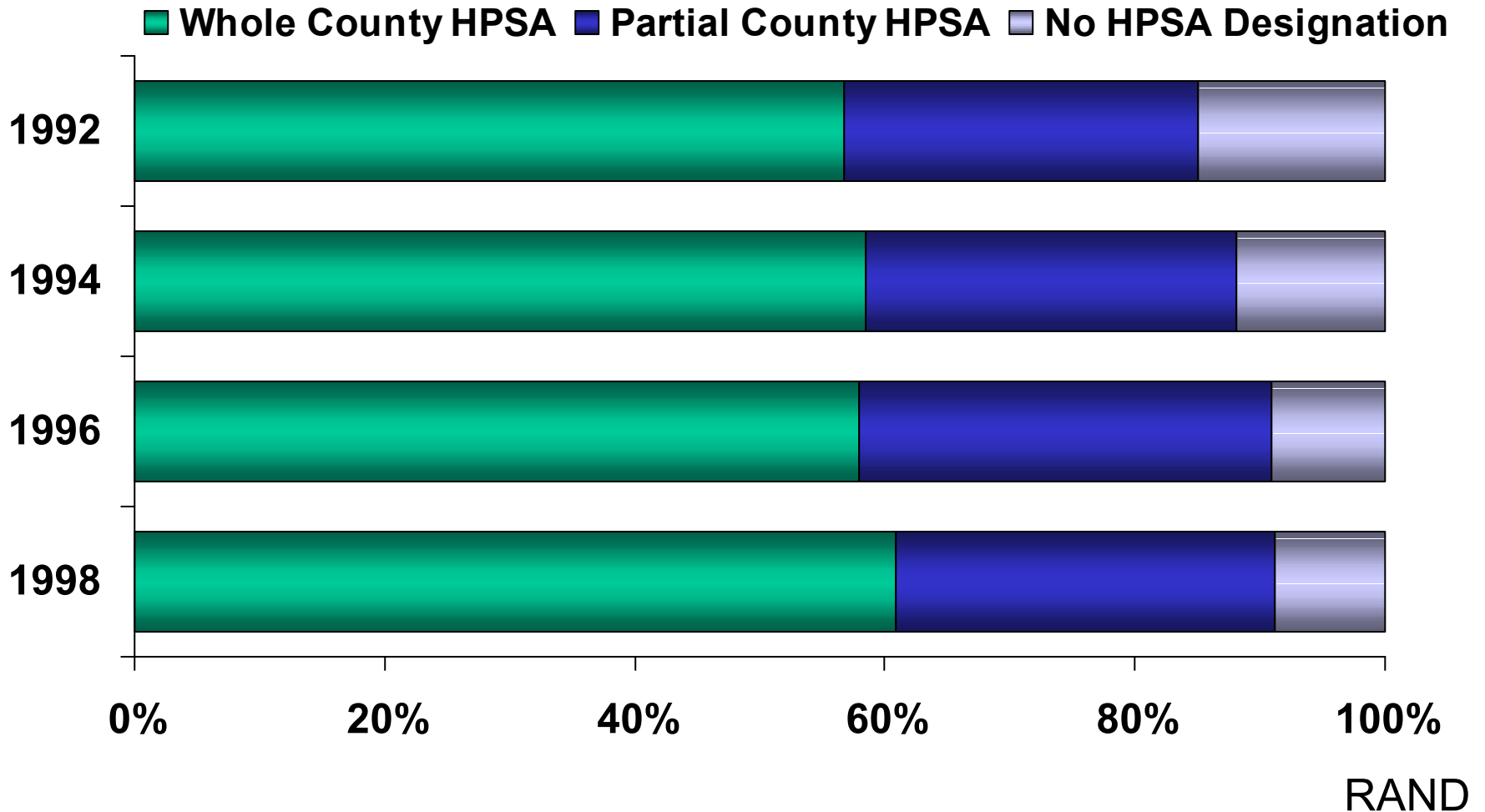
# Bonus Payments are Only a Fraction of Total Medicare Payments to Physicians; Highest Distribution in Whole County HPSAs



# Few Basic Payments are Going to HPSAs...



# ...But Most Bonus Payments are Paid in HPSAs



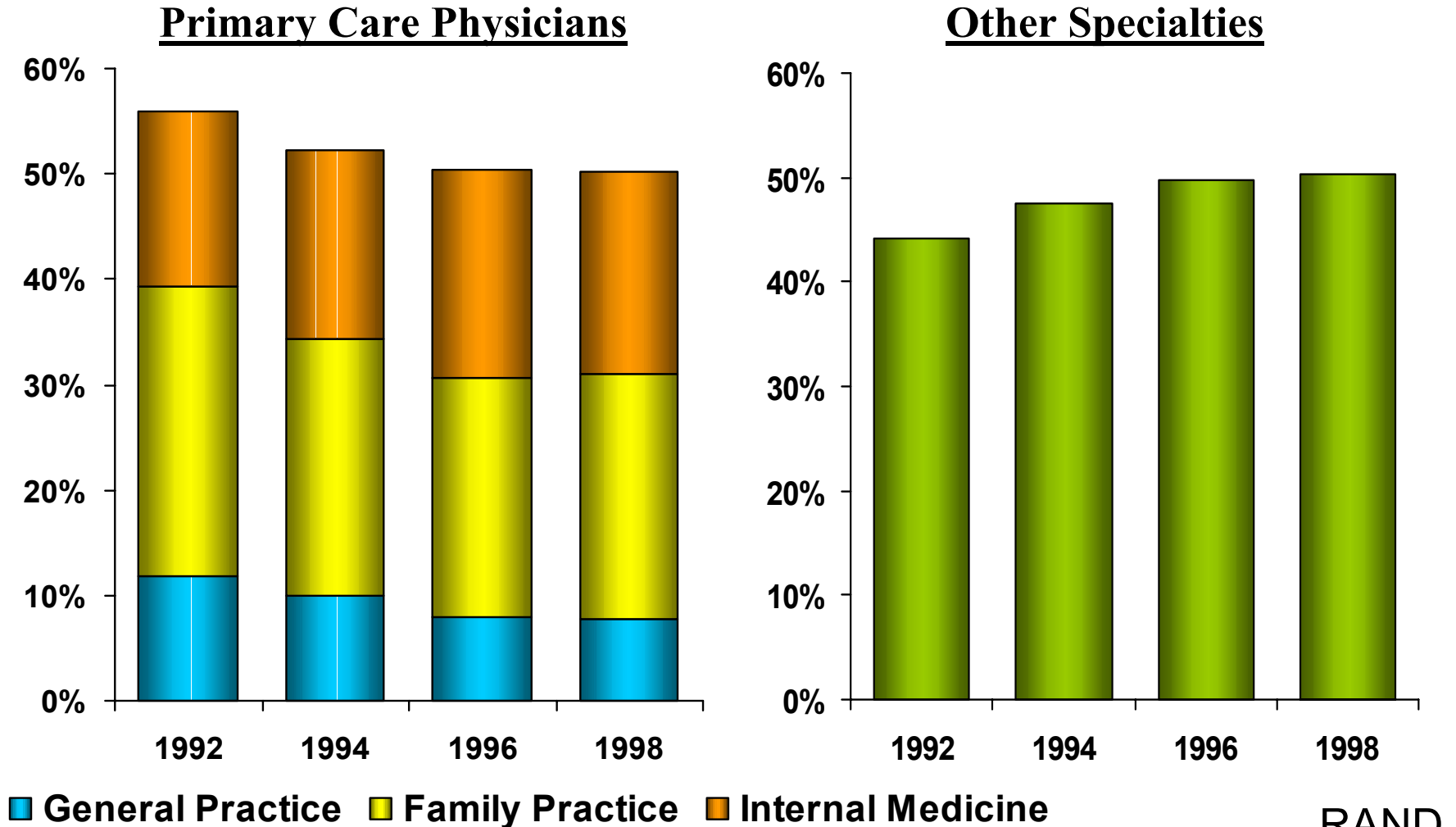
# Distribution of Medicare Bonus Payments by Physician Specialty and Service Type

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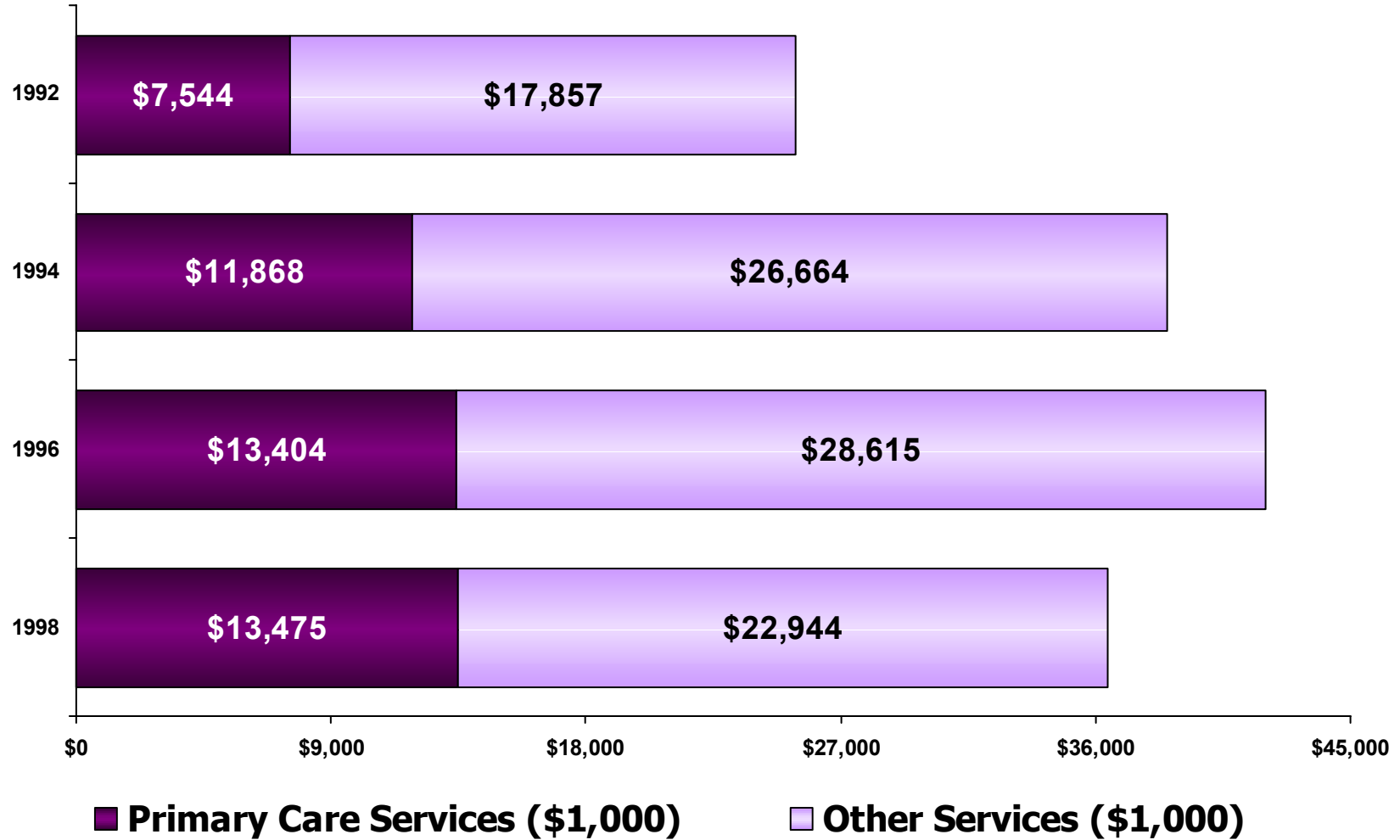
	Percentage of Bonus Payments			
	1992	1994	1996	1998
<b>All primary care physicians</b>	<b>55.9%</b>	<b>52.4%</b>	<b>50.3%</b>	<b>49.7%</b>
<b>General practice</b>	<b>11.8</b>	<b>9.9</b>	<b>8.0</b>	<b>7.7</b>
<b>Family practice</b>	<b>27.6</b>	<b>24.5</b>	<b>22.7</b>	<b>23.3</b>
<b>Internal medicine</b>	<b>16.6</b>	<b>17.9</b>	<b>19.7</b>	<b>19.3</b>
<b>Other specialties</b>	<b>44.1</b>	<b>47.6</b>	<b>49.7</b>	<b>50.3</b>
<b>Primary care services</b>	<b>29.7</b>	<b>30.8</b>	<b>31.9</b>	<b>37.0</b>



# Share of Bonus Payments to Primary Care Physicians Declined Through the Decade



# Decline in Payments Overall; Slight Increase in Payments for Primary Care Services



# Summary of Findings

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- **Although total spending for physician's services increased through the decade, bonus payments are declining**
  - Majority of bonus payments go to HPSA residents
  - Trends do indicate that non-HPSA residents also access services in HPSAs
- **Physicians are not claiming the bonus payment for eligible services**
- **Bonus payments target primary care physicians and primary care services**
  - Declining trend in bonus payments to primary care physicians (although holding steady in HPSAs)
  - Increasing share of bonus payments directed to primary care services

# Discussion

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- **Bonus payment program intended to encourage physician retention in underserved areas (HPSAs)**
  - Concern about future potential to achieve goals considering low levels of current payments coupled with declines since 1994
- **Unclear why low use of bonus payments**
  - To what extent are physicians knowledgeable about availability of payments?
  - What is their perceived value of payments?
  - How do administrative procedures influence decision to claim bonus payments?