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# Healthcare Reform in the 21st Century

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The United States spent more than 17% of the gross domestic product (GDP) on healthcare in 2008. This figure exceeded all other industrialized countries in terms of total and per capita spending. By 2017, it is estimated that health expenditures will consume nearly 20 percent of GDP, or \$4.3 trillion annually. Unfortunately, despite the tremendous costs, our nation lags behind other industrialized countries in variety of benchmarks for quality. With a new administration in Washington, the discussions on healthcare reform are gaining serious momentum. Many changes are being contemplated that will likely impact our ability to deliver quality care to our patients. In this 2 part series, we will outline the potential areas of reform in the present healthcare debate.

**Sustainable Growth Rate (SGR) formula:** Federal law enacted the SGR formula in 1997 to establish physician payment rates for Medicare. Initially intended as a means to curb budgetary spending for Medicare's total expenditures, the formula is seriously flawed as it is tied to the gross domestic product and not to inflation or actual cost-of-practice increases. The formula has mandated cuts in physician fees annually, narrowly being averted by short-term fixes in congress. The first detrimental effects were experienced in 2002, when physicians received a 5.4% reduction in payments. It took the Medicare conversion factor until 2008 to get physician payment rates slightly higher than in 2001. The SGR formula requires a 21% cut in physician payment rates in 2010. However, the Medicare Payment Advisory Commission will recommend the update instead be based on the Medicare Economic Index (MEI). However, the MEI includes a substantial productivity adjustment which reduces the MEI by more than half. The current estimate for increase in input prices is 2.4%. Subtraction of the 1.3% adjustment would reduce the adjustment to merely 1.1%. The MEI also does not accurately reflect the increasing costs faced by physicians. It is a price index developed in 1973 and does not reproduce the costs of delivering healthcare in 2009. It does not account for new expenditures, including the electronic medical record and additional staff needed to navigate through the ever-changing regulatory complexities of healthcare delivery.

**Looking for a Fix:** The recent budget compromise will include a two-year fix for the SGR without providing an offset. This essentially tables much-needed reform of the SGR to 2011. Joseph Heyman, AMA board chair, has voiced concern that "continued uncertainty about future Medicare payments will divert attention from important health reform issues, and the role physicians play in successful patient-centered reforms. The estimated costs of fixing the flawed SGR approximate \$285 billion over 10 years. Despite the high costs to a permanent solution, real reform is necessary as physicians will continue to face the prospect of deep cuts when the protection ends. This also holds potential for affecting healthcare access for millions of Americans with Medicare and non-Medicare, including TRICARE, Medicaid, and privately insured patients. In this regard, 40 medical societies (including the ARS) and 46 state medical societies sent a memorandum to President Obama pledging a cultural transformation to deliver the highest quality of care and more accountability in the allocation of finite resources on February 24th, 2009. This patient-centered culture will strive for shared decision-making amongst patients and caregivers, use of the electronic medical record for timely access to patient records, implements best practices based on evidence-based clinical guidelines, among other quality initiatives to improve healthcare delivery. This reform is imperative to continue quality care for millions of Americans. In Part Two, we will explore specific reform mandates that will impact delivery of care in rhinology. Stay tuned!

**References:**

MedPAC Sign-on to Glenn M. Hackbarth, JD, Chairman, Medicare Payment Advisory Commission. January 5th, 2009. InsideHealthPolicy.com. Accessed April 27th, 2009. Obama Medical Professionalism Sign-on. February 24th, 2009.

## 2009 Courses

**2008 Summer Sinus Course at Williamsburg**

Institutions: Eastern Virginia Medical School (host), Cleveland Clinic, St. Louis University and Northwestern University Williamsburg, VA  
July 23-25, 2009  
Contact: Malissa Nesbit (NesbitMN@EVMS.EDU) or Drucie Papafil (PapafiDA@EVMS.EDU); 757-446-5979

**UPMC Endoscopic Sinus Surgery Course**

October 23-24, 2009

**Third Salivary Endoscopy Course**

October 25, 2009

Pittsburgh, PA

Course Director: Dr. Barry Schaitkin

Full program brochure and registration are available on-line at:

<http://ccehs.upmc.edu> or email [CCEHS@upmc.edu](mailto:CCEHS@upmc.edu)

**UCSF Otolaryngology Update: 2009**

November 5-7, 2009

San Francisco, California, Ritz Carlton Hotel

Course Chairs: Andrew N. Goldberg, MD,

MSCE and Andrew H. Murr, MD, Department of

Otolaryngology-Head and Neck Surgery,

University of California, San Francisco

Contact:

<https://www.cme.ucsf.edu/cme/CourseDetail.aspx?coursenumber=MOT10001>