

## Why GAO Did This Study

Payments for Medicare physicians' services totaled about \$70 billion in 2013. CMS sets payment rates for about 7,000 physicians' services primarily on the basis of the relative values assigned to each service. Relative values largely reflect estimates of the physician work and practice expenses needed to provide one service relative to other services.

The Protecting Access to Medicare Act of 2014 included a provision for GAO to study the RUC's process for developing relative value recommendations for CMS. GAO evaluated (1) the RUC's process for recommending relative values for CMS to consider when setting Medicare payment rates; and (2) CMS's process for establishing relative values, including how it uses RUC recommendations. GAO reviewed RUC and CMS documents and applicable statutes and internal control standards, analyzed RUC and CMS data for payment years 2011 through 2015, and interviewed RUC staff and CMS officials.

## What GAO Recommends

CMS should better document its process for establishing relative values and develop a process to inform the public of potentially misvalued services identified by the RUC. CMS should also develop a plan for using funds appropriated for the collection and use of information on physicians' services in the determination of relative values. HHS agreed with two of GAO's recommendations, but disagreed with using rulemaking to inform the public of RUC-identified services. GAO clarified that the recommendation is not limited to rulemaking.

View [GAO-15-434](#). For more information, contact James C. Cosgrove at (202) 512-7114 or [cosgrovej@gao.gov](mailto:cosgrovej@gao.gov).

# MEDICARE PHYSICIAN PAYMENT RATES

## Better Data and Greater Transparency Could Improve Accuracy

## What GAO Found

The American Medical Association/Specialty Society Relative Value Scale Update Committee (RUC) has a process in place to regularly review Medicare physicians' services' work relative values (which reflect the time and intensity needed to perform a service). Its recommendations to the Centers for Medicare & Medicaid Services (CMS), the agency within the Department of Health and Human Services (HHS) that administers Medicare, though, may not be accurate due to process and data-related weaknesses. First, the RUC's process for developing relative value recommendations relies on the input of physicians who may have potential conflicts of interest with respect to the outcomes of CMS's process. While the RUC has taken steps to mitigate the impact of physicians' potential conflicts of interest, a member of the RUC told GAO that specialty societies' work relative value recommendations may still be inflated. RUC staff indicated that the RUC may recommend a work relative value to CMS that is less than the specialty societies' median survey result if the value seems accurate based on the RUC members' clinical expertise or by comparing the value to those of related services. Second, GAO found weaknesses with the RUC's survey data, including that some of the RUC's survey data had low response rates, low total number of responses, and large ranges in responses, all of which may undermine the accuracy of the RUC's recommendations. For example, while GAO found that the median number of responses to surveys for payment year 2015 was 52, the median response rate was only 2.2 percent, and 23 of the 231 surveys had under 30 respondents.

CMS's process for establishing relative values embodies several elements that cast doubt on whether it can ensure accurate Medicare payment rates and a transparent process. First, although CMS officials stated that CMS complies with the statutory requirement to review all Medicare services every 5 years, the agency does not maintain a database to track when a service was last valued or have a documented standardized process for prioritizing its reviews. Second, CMS's process is not fully transparent because the agency does not publish the potentially misvalued services identified by the RUC in its rulemaking or otherwise, and thus stakeholders are unaware that these services will be reviewed and payment rates for these services may change. Third, CMS provides some information about its process in its rulemaking, but does not document the methods used to review specific RUC recommendations. For example, CMS does not document what resources were considered during its review of the RUC's recommendations for specific services. Finally, the evidence suggests—and CMS officials acknowledge—that the agency relies heavily on RUC recommendations when establishing relative values. For example, GAO found that, in the majority of cases, CMS accepts the RUC's recommendations and participation by other stakeholders is limited. Given the process and data-related weaknesses associated with the RUC's recommendations, such heavy reliance on the RUC could result in inaccurate Medicare payment rates. CMS has begun to research ways to develop an approach for validating RUC recommendations, but does not yet have a specific plan for doing so. In addition, CMS does not yet have a plan for how it will use funds Congress appropriated for the collection and use of data on physicians' services or address the other data challenges GAO identified.