Congress Should Halt Medicare’s Plummerting Psychologist Payments

Medicare beneficiary access to mental health care is being jeopardized by the steady erosion in psychologist reimbursement rates over more than a decade

Psychologists provide 40% of outpatient and 70% of inpatient psychotherapy services, and most of the diagnostic services to beneficiaries. Psychologists and social workers provide the vast majority of Medicare mental health services to patients.

But psychologist reimbursement rates are plummeting. In 2001, Medicare paid $102 for a 45 minute psychotherapy session (the most common such service). Today, after a small increase for calendar year 2014, the program pays just $86, a 35% drop from 2001, adjusted for inflation. In fact, payments to clinical psychologists under Medicare have declined nearly 22% just since 2007. Meanwhile, Medicare is falling far behind psychologists’ reimbursement by private insurers; Medicare reimbursement rates are estimated to be 17% below private market indemnity insurance rates.

The steady decline in Medicare payment rates is leading psychologists to leave Medicare, reduce their patient loads, and stop taking new patients. A 2013 APAPO member survey revealed that 26% of responding psychologists were previously Medicare providers but left the program, primarily due to low reimbursement rates. Half of those psychologists have left since 2008. This means that nearly 5,200 psychologists across the country are no longer providing the mental, behavioral and substance use disorder services that Medicare beneficiaries need.

Congress should adjust the Medicare payment formula, which simply is not working to provide for fair and appropriate payment for psychologists in the program.

Under the payment formula, Medicare increasingly pays more for higher-cost, technology-driven services with high overhead—and therefore higher “Practice Expense” relative value unit (RVU) scores. Psychologists’ services, which involve almost no technology use and are provided with low overhead and cost, are consistently devalued in comparison. Also unlike other providers, psychologists use only a handful of reimbursement codes, predominantly for services which are explicitly time-based. Consequently psychologists are less able to balance reimbursement rate increases in some services against decreases in others, or to significantly increase the volume of services they provide in response to declining payments.
In recent years, several Medicare Practice Expense adjustments in the payment formula have ratcheted down psychologist Medicare payment rates:

- In 2006, CMS announced changes in the Practice Expense methodology for all providers. As a result, average psychologist Practice Expense payments dropped by 2% each year through 2010.

- In 2009, CMS announced a new series of Practice Expense adjustments, causing an additional 2% annual decrease for psychologists for 2010 through 2013.

- In 2011, psychologists suffered a 4% loss in overall reimbursement when CMS rebased and revalued the Medicare Economic Index, more heavily weighting the practice expense component of the formula as compared to the work component. This benefited high technology cost providers to the detriment of low-cost providers like psychologists.

Although the payment schedule for 2014 adopted by CMS provided a small increase in most reimbursement rates for psychologists, the increases do not address the steady erosion in reimbursements that has occurred over more than a decade. Medicare beneficiaries’ access to mental health care will be severely undermined if psychologists are no longer able to provide the services they need. Congress should adjust the formula to ensure that psychologists remain in the program.

**Congress should pass the “SGR Repeal and Medicare Provider Payment Modernization Act of 2014” (H.R. 4015/S. 2000) to permanently repeal the failed sustainable growth rate (SGR) formula, replace it with small but steady positive growth rate updates, and begin initiatives to establish new payment incentives under Medicare.**

Congress enacted the SGR as part of the Balanced Budget Act of 1997 to limit growth in Medicare provider payments and contain program costs. However, as the Medicare Payment Advisory Commission recently testified, the SGR formula is not working, and Congress should act urgently to repeal it. Indeed, Congress has had to intervene on at least 16 occasions to avert staggering SGR cuts. If Congress does not act by March 31st, Medicare providers face another payment rate reduction of roughly 24%.

Psychology supports the “SGR Repeal and Medicare Provider Payment Modernization Act of 2014” (H.R. 4015 / S. 2000). Psychology looks forward to working with Congress to replace the SGR with payment reforms, and proposals which enhance quality, care coordination, and efficiency should be encouraged. However, it is vitally important that new payment models treat all Medicare providers—both physicians and non-physicians—equally to ensure fair and adequate reimbursement into the future.

APA Practice Organization
March 2014