Psychologists and other Medicare providers experienced a two-percent decrease in Medicare payment effective April 1, 2013 as a result of the Budget Control Act of 2011 known as sequestration. That decline followed an average two-percent decrease in reimbursement for psychologists’ services owing to the 2013 Medicare fee schedule that took effect in January. And the four percent drop in just three months would have been considerably more had Congress not postponed for one year the 26.5 percent reduction in Medicare payment scheduled for the beginning of January 2013 as a result of the Sustainable Growth Rate (SGR) formula, a major component of Medicare payment.

As many psychologists are painfully aware, the recent cuts are part of a longstanding downward spiral in Medicare reimbursement. The trend continues with a Congress focused on slashing provider payments rather than reducing beneficiary services.

One key indicator of plummeting reimbursement rates for psychologists involves Medicare payment for psychotherapy. In 2000 the program paid a national rate of $98 for a 45 minute psychotherapy session, the most common Medicare service provided by psychologists. Today Medicare pays just $81 – a 39 percent drop, adjusted for inflation.

Meanwhile, Medicare falls behind psychologists’ reimbursement by private insurers. According to a 2012 analysis by Healthcare Visions, Inc. conducted on behalf of the APA Practice Organization (APAPO), psychologists receive as much as 15 percent less in reimbursement for Medicare services compared to private market indemnity plans.

The “practice expense” component of Medicare payment is a primary driver in lowering reimbursement rates for psychologists. The practice expense portion of the Medicare fee schedule captures the direct and indirect costs of providing a service – including rent, utilities, supplies, equipment and staff.

Over the past several years, the Centers for Medicare and Medicaid Services (CMS) has modified the practice expense share of the Medicare payment formula multiple times to the detriment of low-cost providers including psychologists.

Impact on beneficiary access
Psychologists provide 40 percent of outpatient and 70 percent of inpatient psychotherapy services and most of the diagnostic services to Medicare beneficiaries. Along with social workers, psychologists provide the vast majority of Medicare mental health services to patients.

But the precipitous decline in Medicare reimbursement in recent years has caused psychologists to leave the program, reduce their Medicare patient loads or refuse to take new patients. A 2008 survey of members by the American Psychological Association Practice Organization (APAPO) found that although 28,000 psychologists were Medicare providers, 3,000 who once participated had dropped out, primarily due to low reimbursement rates.

Advocacy to combat the downward spiral in payment
Calling for Congress to provide improved and fair reimbursement for psychologists’ Medicare services remains a top legislative advocacy priority for the APA Practice Organization. But the battle is an uphill climb given current political and economic realities.
During the March 2013 State Leadership Conference (SLC) sponsored by APAPO, nearly 500 psychology leaders from throughout the U.S. visited Capitol Hill for more than 330 meetings with their members of Congress and staff. One of the “asks” was for Congress to fix the Medicare payment formula to provide for fair and adequate psychologist payment. The Medicare payment formula is set in statute so Congress must act to amend it.

Another of the requests made during these congressional meetings was for Congress to repeal the SGR formula related to Medicare payment and replace it with an alternative that treats all physician and non-physician services equally. Congress already has blocked the SGR payment cut from taking effect 15 times. The latest congressional action delayed the SGR cut until January 1, 2014, when a 25 percent drop in payment is scheduled to occur.

Yet another “ask” during the Hill visits involved the Medicare payment cuts resulting from sequestration, a nine-year process whereby automatic across-the-board cuts will occur when spending caps are exceeded in broadly defined spending categories, including Medicare. Psychologists called on their elected officials to eliminate the two percent Medicare sequestration cut and find a more targeted approach to address Medicare spending.

The SLC constituent meetings buoyed APAPO lobbyists’ efforts to gain better reimbursement rates for psychologists. Lobbyists have been meeting with key committee members and staff to focus on problems with Medicare payment, the SGR formula and sequestration.

The U.S. House of Representatives is taking the lead on finding alternatives to the SGR formula, and there are clear signs that Congress is considering repealing the SGR formula. The House Ways and Means and Energy and Commerce Committees have floated outlines for reform that would repeal the SGR formula and provide for a lengthy period of stable payment updates. Reform would also include an eventual movement away from fee-for-service payment to one that ties reimbursement to quality, including through outcomes and treatment measures.

APAPO lobbyists have been meeting with Ways and Means and Energy and Commerce Committee staff to ensure that psychology’s perspectives and payment issues are fully addressed in reform. On April 11, 2013, APAPO submitted comments to the committees on their reform outline. APAPO comments focused on the need to repeal the SGR formula, challenges of applying quality measures to mental and behavioral health services, the need for changes to the underlying payment formula to better value psychologists’ services and the need to integrate Medicare mental and physical health services.

To supplement these efforts, APAPO’s newly formed political action committee, APAPO-PAC, has focused on contributions to policymakers who sit on the Senate and House health committees. As a result, APAPO lobbyists have had the opportunity to educate a number of Senators and Representatives on these committees on the need to repeal the SGR formula and to improve psychologists’ reimbursement rates in the Medicare program.

Window of opportunity

The Congressional Budget Office has cut in half last year’s estimate of the cost to the government of repealing the SGR formula. That cost is now estimated at $138 billion. Though the cost is still substantial, Congress may find a way for repeal, as well as other reforms to the Medicare payment system. APAPO is working to ensure that professional psychology’s voice is heard in this process, with the result of improved payment in any new system that develops.

Grassroots advocacy is a crucial element of the APA Practice Organization’s legislative advocacy efforts. Your members of Congress need to hear from you immediately about doing what’s right to ensure access to needed psychological services for Medicare beneficiaries and about finding a sustainable alternative to the SGR cut.

Visit the Legislative Action Center at http://capwiz.com/apapractice/home/ to urge your Senators and Representative to halt Medicare cuts to psychological services. Please take action as soon as possible for your patients and the profession.