



## **MEDICARE PHYSICIAN CHARGES**

**House Bill 4978**

**Sponsor: Rep. Paul Baade**

**Committee: Public Health**

**Complete to 8-22-91**

### **A SUMMARY OF HOUSE BILL 4978 AS INTRODUCED 6-19-91**

Medicare is a federal health insurance program authorized by title XVIII of the Social Security Act (42 U.S.C.1395) that covers most Americans 65 and older and certain Americans under 65, including those who are disabled or who have chronic kidney disease. The federal Health Care Financing Administration (HCFA), within the federal Department of Health and Human Services (HHS), administers Medicare, establishes program regulations and policies, and issues guidance to health care providers and others involved in the program. Medicare part A (Hospital Insurance for the Aged and Disabled) covers services furnished by hospitals, home health agencies, hospices, and skilled nursing facilities; part B (Supplementary Medical Insurance for the Aged and Disabled) covers physician services, including anesthesia, and a broad range of other services furnished on an outpatient basis, such as diagnostic laboratory tests, X-rays, and medical equipment used in the home. All Americans 65 or older and anyone else eligible for part A are eligible for part B.

Part A of Medicare was designed to be funded primarily as social insurance; that is, people pay for the program while they are working and reap the benefits when they are retired or become disabled. In effect, part B of Medicare offers beneficiaries a heavily subsidized insurance policy; beneficiary premiums cover only 25 percent of the program's total cost (people electing part B coverage pay 25 percent of its costs through monthly premiums, and the government funds the other 75 percent from general federal revenues).

Medicare has a Participating Physician Program, under which physicians receive favorable treatment if they agree to accept Medicare's payment as payment in full for all Medicare beneficiaries all of the time. Non-participating physicians, who are paid only 95 percent of the Medicare fee schedule, have no limit to what they charge, and commonly practice "balance billing." That is, non-participating physicians bill their Medicare eligible patients directly for whatever amount of the service charge not paid by Medicare.

The federal Omnibus Reconciliation Act of 1990 contains a provision that will limit extra billing by physicians. Beginning in 1991, non-participating physicians will not be allowed to charge Medicare beneficiaries more than 124 percent of the amount allowed these physicians. In 1992, that limit will drop to 120 percent, and in 1993 to 115 percent.

The bill would amend the Public Health Code to prohibit licensed physicians (whether M.D.s or D.O.s), beginning on January 1, 1992, from charging more than 115 percent of the reasonable charge for their services. Beginning January 1, 1994, this percentage would drop to 110 percent. If the statewide percentage of Medicare part B claims billed at or below the reasonable charge for the federal fiscal year 1990 failed to

increase by five percent by 1993 or failed to maintain a five percent annual increase, beginning January 1, 1994, physicians could not charge more than 105 percent of the reasonable charge.

The bill's provisions would not apply to home or office visits, and the director of the state Department of Social Services would determine annually the increase in the statewide percentage of Medicare part B claims billed at or below the reasonable charge.

MCL 333.17037 and 333.17537