WWAMI RURAL HEALTH RESEARCH CENTER

Project Summary

August 2003

An Analysis of Medicare's Incentive Payment Program for Physicians in Health Professional Shortage Areas

Issues

Medicare's Incentive Payment (MIP) program began in 1987 with the aim of encouraging primary care providers to work in underserved rural areas and to improve access to care for Medicare beneficiaries. MIP provides a 10 percent bonus payment to providers who treat Medicare patients in rural and urban areas where there is a federally designated shortage of generalist physicians.

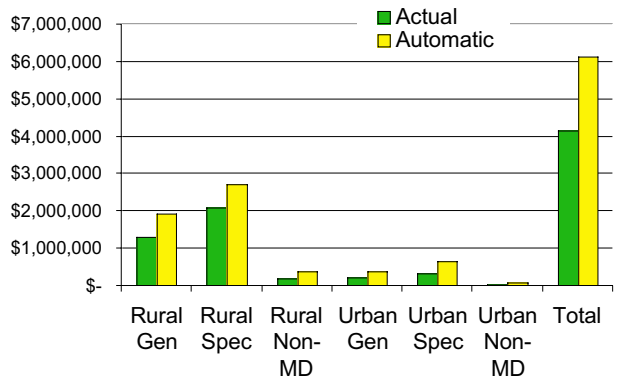
Study Design

This project examined the experience of five states (Alaska, Idaho, North Carolina, South Carolina, and Washington) with the MIP program. The study determined the program's expenditures, utilization, and which types of physicians received payments. The study involved a retrospective cohort design, utilizing complete 1998 Medicare Part B data. Physician specialty was determined through American Medical Association Masterfile data. The business ZIP code of the physician defined the location of the physician/patient encounter. Rural status was determined by linking this ZIP code to its Rural-Urban Commuting Area Code (RUCA) and determining shortage area eligibility at the ZIP code level.

Findings

There were 2,220,841 patients and 39,780 providers in the study cohort, including 9,885 (24.9%) generalists, 21,292 (53.5%) medical and surgical specialists, and 8,603 (21.6%) non-physician providers. Over $4 million in bonus payments were made to providers in the Health Professional Service Area (HPSA) sites, with a median overall payment of $173, although 25 percent of rural generalists received more than $1,972. Specialists and urban providers received 58 percent and 14 percent of the bonus reimbursements respectively. Nearly a third of the potential bonus payments ($2 million) were not distributed because the providers did not claim them. Over $2.8 million in bonus claims were distributed to providers who likely did not work in approved HPSA sites, based on detailed ZIP code-level geographic criteria. The figure shows the difference between actual payments to providers in HPSAs and what would have been paid out if all providers in HPSAs received MIPs automatically.

Policy Implications: The MIP bonus payments given to providers are small, but with some receiving larger amounts. Many providers who should have claimed the bonus did not, and many providers who likely did not qualify for the bonus claimed and received it. For the program to be improved, consideration should be given to focusing and enlarging the bonus payments to better targeted providers and areas, especially primary care providers. In addition, policy makers should consider a system that prospectively determines provider eligibility.



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fact sheet