The Role of Government in Physician Reimbursement

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ABSTRACT

Background: Governments around the world exert a substantial degree of influence over physician reimbursement, but the structure and level of that influence varies greatly. This article defines and analyzes the role of government in physician reimbursement both internationally and in the United States.

Analytical Framework: We create a typology for government involvement in physician reimbursement that divides intervention into either direct control or indirect control. Within those broad categories, we describe more specific forms of involvement including rate setting, operating as a public payer, employing physicians directly, providing a source of market discipline, regulating private insurance, and convening private participants in the market.

Findings: We apply our framework to the modern healthcare systems of Germany, Sweden, Canada, and the United States, highlighting some of the implications of differences between the systems. Our central finding is that in contrast to other example healthcare systems, the United States system features a complex interplay of federal and state government influence, both direct and indirect, into physician reimbursement.

Conclusion: We conclude the article by examining the ways in which recent legislation including the Affordable Care Act and the Medicare Access and CHIP Reauthorization Act would likely change the role of government in physician reimbursement in the United States.

Key Indexing Terms: Government; Reimbursement; Payment; Financing; Physician. **[Am J Med Sci 2016;351(1):52–58.]**

INTRODUCTION

The functions a government engages in and the services it provides vary tremendously from country to country. The government of nearly every developed nation in the world, however, is involved in the provision of healthcare services in some way. The overall level and specific structure of that involvement is unique to every country and is shaped by the social, political, demographic, economic, and even geographic circumstances of that country. For example, a relatively small country (like Sweden) with a relatively homogeneous population (economically, socially or politically) and a long history of societal intervention in the economy might reject a market-based health insurance system that can create disparities in financial access to healthcare. Conversely, in a geographically or sociodemographically diverse country or both, the citizens might more highly value the individual choices required in a multipayer system with a large role for private insurance.[1,2]

Despite this diversity of solutions to assuring financial access to care, the myriad problems with the effectiveness of markets in setting prices for physician and other healthcare services[3] have resulted in a longstanding and pervasive role for government in regulating the payment for physician services. Although civilizations have been dealing with how to regulate payment for healthcare services for millennia, modern developed countries have not settled on a single solution. In this article, we provide a conceptual framework for the mechanisms available to governments to regulate payment for physician services, specifically, and contrast the current U.S. approach with the distinctive solutions of several other developed countries. We additionally examine recent healthcare legislation and its potential effect on the role of the U.S. government in physician reimbursement.

ANALYTICAL FRAMEWORK

Government intervention in physician reimbursement can be placed in 2 broad categories: direct control or indirect control, with several approaches within each of these (Figure 1).

DIRECT CONTROL

Setting Rates

Generally, rate setting is simply the government dictating the amount of money physicians can receive for their services. The rate setting process can vary on a number of dimensions that can dramatically shift the level of government control including, but not limited to, the extent to which nongovernment entities, such as associations of providers, insurers, or representatives of beneficiaries, are allowed to participate in the rate-setting process, whether or not a relative value scale is used, whether or not those rates are applied uniformly across the country, and whether or not physicians are allowed to charge more than the established rate. Although rate setting (as exemplified in the code of

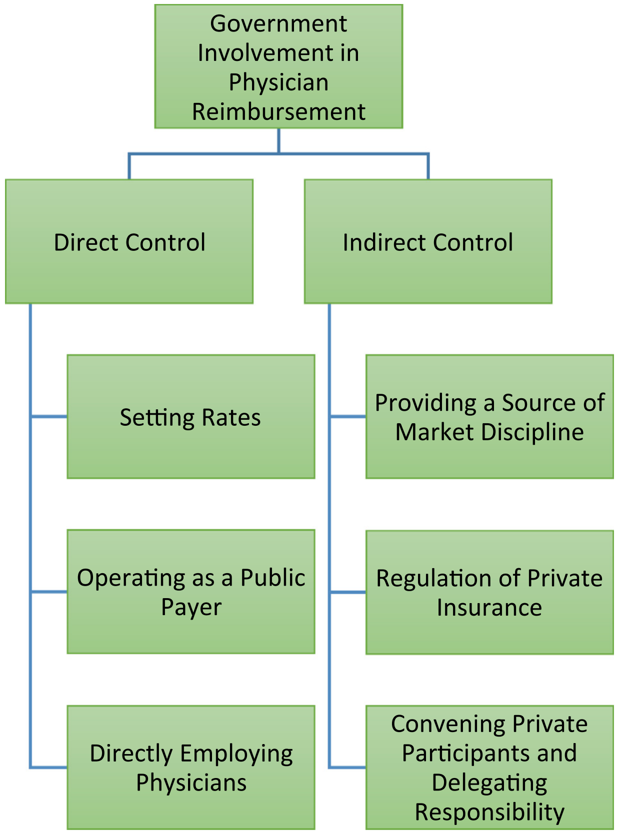

FIGURE 1. Analytical framework: typology of government involvement in physician reimbursement.

Hammurabi) has been long discussed, it is rarely the only mechanism used by modern governments to regulate physician reimbursement.[4]

Operating as a Public Payer

In some cases, government can operate a public insurance plan paying for health services directly on behalf of citizen patients. The level of influence government as a payer has on the overall level and structure of physician reimbursement is largely determined by size of the government payer in that market. As we see, in a country where government is a single payer (eg, Canada), influence over physician reimbursement is high, depending on government's willingness to negotiate, but when government is just one in a multipayer environment (USA), the level of influence may be less.

Directly Employing Physicians

When a government directly employs physicians (eg, Sweden), it has complete control over the reimbursement of those physicians. Although it is uncommon for governments to act as an employer of most physicians, many countries do employ directly some physicians for specific, limited purposes, for example, to ensure adequate care for members of the military and their families or to provide a safety net for particularly vulnerable segments of the population.

INDIRECT CONTROL

Providing a Source of Market Discipline

When government is involved as one among several payers for physician services, it can influence payments through its own rate setting and other market leverage, providing a source of market discipline that would not exist otherwise. That market discipline can take the form of influenced prices or altered delivery models.

Regulation of Private Insurance

In countries where private insurance makes up most of payment for physician services (eg, Germany and USA), government regulation of insurance can influence physician reimbursement albeit indirectly. For instance, controlling premium changes could affect the amount of total reimbursement a physician can receive.

Convening Private Participants and Delegating Responsibility

Governments can influence physician reimbursement by setting the rules under which, for instance, private purchasers and payers negotiate prices with physicians and other providers. Without directly controlling payment to physicians, governments can decide who makes such decisions and the rules under which these are made. For instance, as we see, Germany does

