

GAO Highlights

Highlights of [GAO-22-103876](#), a report to congressional requesters

Why GAO Did This Study

Legislative modifications to the work GPCI have been made over the years. Specifically, the work GPCI has been modified to limit the range in the work GPCI values to one-quarter, and to apply a temporary floor to raise the work GPCI value to the national average for localities with values below it. The temporary floor will be applied through the end of 2023.

GAO was asked to review several aspects of the work GPCI used for Medicare physician payments. Among other objectives, this report describes the effect of hypothetical modifications to the work GPCI on physician payments across localities and the characteristics of localities affected; and the extent to which the work GPCI accounts for geographic variation in physician earnings.

GAO analyzed several data sources from CMS, including summary physician payment data for 2018, which was the most recent full year data available. GAO also developed a model and analyzed data from the Census Bureau, and IRS from 2012 through 2018.

The Department of Health and Human Services provided technical comments on a draft of this report, which GAO incorporated as appropriate.

View [GAO-22-103876](#). For more information, contact Jessica Farb at (202) 512-7114 or farbj@gao.gov.

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MEDICARE

Information on Geographic Adjustments to Physician Payments for Physicians' Time, Skills, and Effort

What GAO Found

The Social Security Act requires that the Centers for Medicare & Medicaid Services (CMS) use three geographic practice cost indices (GPCI) to adjust Medicare physician payments to account for differences in the costs of providing care across various geographic locations (called payment localities). One of these indices, the work GPCI, adjusts for the relative cost of a physician's labor—their time, skill, and effort. It is based on each locality's costs compared to the national average, meaning that higher cost areas have higher work GPCI values.

GAO analyzed CMS data on physician payments in 2018 and found that aggregate Medicare payments would decrease under three hypothetical modifications to the work GPCI: (1) removing the work GPCI floor, which raises the work GPCI value to the national average for any locality lower than it; (2) removing the floor and one-quarter adjustment, which limits the range in all localities' values to one-quarter of the true variation; or (3) removing the work GPCI entirely, which would mean setting all localities' values to the national average.

The effect of the hypothetical modifications on each locality's total payments would vary depending on whether the locality's actual work GPCI value was above or below the national average. (See table.) GAO found that localities with actual work GPCI values above the national average differed on key characteristics compared to localities with actual values below it. For example, localities with values below the national average generally had lower percentages of health care providers who are physicians and more of their population living in non-metropolitan counties.

Estimated Payment Changes to Medicare Physician Payments in 2018 under Hypothetical Modifications to the Work Geographic Practice Cost Indexes, by Locality Group

	Localities where the actual work GPCI was below the national average in 2018	Localities where the work GPCI value was above the national average in 2018
Number of localities	52	59
Removing the work GPCI floor adjustment	↓ \$415.8 million (-1.0%)	No payment change
Removing the work GPCI floor and one-quarter adjustments	↓ \$1.52 billion (-3.8%)	↑ \$1.14 billion (4.3%)
Removing the work GPCI and setting all localities to the national average	No payment change	↓ \$350.6 million (-1.3%)

Source: GAO analysis of 2018 physician payments under traditional Medicare. | [GAO-22-103876](#)

GAO also developed a model to determine the extent to which the work GPCI accounts for geographic variation in physician earnings—that is, the work GPCI values should be higher in areas with higher physician earnings (a proxy for labor costs) and lower in areas with lower physician earnings. GAO found that, as implemented, the work GPCI accounted for geographic variation in actual physician earnings in most localities (90 of 119 localities). However, in 14 localities, physician earnings were lower than the amount suggested by the work GPCI value, and in 15 localities, actual physician earnings were higher.