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Want to see how problematic Medicare pricing is? Look to ophthalmology

Today, the government released a trove of information on Medicare pricing, showing how much it paid, for what, and to whom for Medicare patients' health care. Medicare sets the prices that effectively determine the cost of medical treatment in much of the private sector as well.

One particularly striking example in the new data: billing in ophthalmology. The data show that there were nearly 4,000 individual physicians who each billed Medicare for at least $1 million in 2012 alone. As The New York Times noted, ophthalmology was the specialty that billed the highest total.

As The Post reported in December, the story of Avastin and Lucentis, two nearly identical drugs for blindness, offer a glimpse into the problematic world of Medicare pricing.

A dose of Avastin costs only $50. A dose of Lucentis costs $2,000. Both Avastin and Lucentis are made by the same company, and they're remarkably effective in treating a form of macular degeneration that was long the leading cause of blindness among the elderly, The Post reported. They are very similar on a molecular level and probably cost about the same amount to manufacture.

Nonetheless, doctors prescribe Lucentis almost as often as Avastin. They also make more money doing so. Medicare is legally obliged to pay for any drug a doctor prescribes, and doctors also receive commissions of 6 percent to cover their own expenses. The commission a doctor collects on each dose of Avastin would be only about $3, as opposed to $120 on each dose of Lucentis. Congress and the courts have refused to allow Medicare to save money by scrutinizing doctors' decisions.

As a result, taxpayers spent about $1 billion in 2012 more than they would have if doctors had been prescribing Avastin. Avastin, for all intents and purposes, has been shown to be equivalent to Lucentis in six studies and one massive review of Medicare records.

Salomon Melgen, an ophthalmologist in West Palm Beach, Fla., was the physician who collected the most from Medicare in 2012, according to the new data. He received about $20 million from the government and about $11.8 million for prescribing Lucentis. Much of that $11.8 million went to Genentech, but if Melgen had been prescribing Avastin, he would have saved taxpayers almost all of it.

Here's more from The Post's Peter Whoriskey and Dan Keating:

“Genentech continues to maintain that Lucentis is the most appropriate medicine,” the company said in a statement, adding that it costs “significantly” more to make and is tailored for use in the eye. The drug “has made an immense impact.”

Many ophthalmologists, however, are skeptical that it provides any added value over the cheaper alternative.

“Lucentis is Avastin — it’s the same damn molecule with a few cosmetic changes,” said J. Gregory Rosenthal, a Toledo ophthalmologist who, outraged by the price, co-founded a group called Physicians for Clinical Responsibility to protest its use. “Yet Americans are paying a billion dollars every year for no good reason — unless you count making Genentech rich.”

So is the price of Lucentis fair?

One way to decide on a fair price is for a buyer and a seller to negotiate and reach an agreement. Britain and the Netherlands negotiated with Genentech to buy doses of Lucentis for about $1,100 and $1,300 respectively -- a little more than half the price the United States pays. Yet not only is Medicare forbidden from forcing doctors to use cheaper drugs when they are available, it's also forbidden from negotiating with pharmaceutical companies for better prices.

Instead, prices are set for Medicare by doctors themselves at an annual meeting behind closed doors convened by the American Medical Association. The representatives of the practice have a strong financial interest in setting very high prices.

Exacerbating the problem is the fact that Genentech makes it very difficult for doctors to use Avastin to treat macular degeneration. Instead, the drug is designed for certain cancers (and it is presumably cheaper because there alternative cancer treatments). Many doctors now pay a third party to slice up doses of Avastin and repackage it for use in the eye, a completely pointless expenditure of time and money. The process has also resulted in contamination and infection on several occasions. Genentech got sued when it tried to stop selling Avastin to the repackagers, and lobbied the Food and Drug Administration for an official warning against using Avastin for macular degeneration. The agency demurred.

So while the doctors at the top of this list from the Center for Medicare and Medicare Services seem to need special scrutiny, keep in mind they only deserve part of the blame for a system that has been created by Congress, upheld by the courts, and exploited by companies such as Genentech.

Update: The AMA protested our characterization of its role in setting prices for Medicare. The group stated that it does not set prices for Medicare services. Its committee of physicians provides "practical knowledge across a wide range of disciplines and services," which "is certainly valuable to CMS – as it should be." However, the Center for Medicare and Medicaid Services "is responsible for developing the final values and fee schedule for Medicare. Make no mistake, CMS sets prices for Medicare services, not doctors."

The AMA also objected to the characterization that the committee is secretive. It states that the group “now publishes meeting dates, meeting minutes and vote totals for each” medical service

it evaluates.

It is true that the AMA took steps to make its committee more open. But its meetings still are not held in an open setting and those attending have to sign confidentiality agreements.

The association's claim that the government, not doctors, sets prices for Medicare is true only in the sense that the committee of doctors provides estimates of value to the government, not prices per se. The government, however, then converts these estimates into the prices that Medicare will pay for services. For the last 22 years, CMS has adopted 90 percent of the committee's recommendations.

Here's what Peter Whoriskey and Dan Keating stated about the AMA committee in an investigative series on Medicare pricing:

Unknown to most, a single committee of the AMA, the chief lobbying group for physicians, meets confidentially every year to come up with values for most of the services a doctor performs.

Those values are required under federal law to be based on the time and intensity of the procedures. The values, in turn, determine what Medicare and most private insurers pay doctors.

But the AMA's estimates of the time involved in many procedures are exaggerated, sometimes by as much as 100 percent, according to an analysis of doctors' time, as well as interviews and reviews of medical journals…

To more broadly examine the validity of the AMA valuations, The Post conducted interviews, reviewed academic research and conducted two numerical analyses: one that tracked how the AMA valuations changed over 10 years and another that counted how many procedures physicians were conducting on a typical day.
It turns out that the nation's system for estimating the value of a doctor's services, a critical piece of U.S. health-care economics, is fraught with inaccuracies that appear to be inflating the value of many procedures:
●To determine how long a procedure takes, the AMA relies on surveys of doctors conducted by the associations representing specialists and primary care physicians. The doctors who fill out the surveys are informed that the reason for the survey is to set pay. Increasingly, the survey estimates have been found so improbable that the AMA has had to significantly lower them, according to federal documents.

●The AMA committee, in conjunction with Medicare, has been seven times as likely to raise estimates of work value than to lower them, according to a Post analysis of federal records for 5,700 procedures. This happened despite productivity and technology advances that should have cut the time required.

●If AMA estimates of time are correct, hundreds of doctors are working improbable hours, according to an analysis of records from surgery centers in Florida and Pennsylvania. In some specialties, more than one in five doctors would have to have been working more than 12 hours on average on a single day — much longer than the 10 hours or so a typical surgery center is

open.