

July 28, 2003

**Sent to all Senate Conferees :
Similar Letter Sent to all House Conferees**

The Honorable Charles E. Grassley
Chairman
Senate Finance Committee
219 Senate Dirksen Building
Washington, DC 20510

Dear Mr. Chairman:

On behalf of the undersigned organizations, we urge you to ensure that the final conference report for the “Medicare Prescription Drug and Modernization Act of 2003” includes a provision to avert the Medicare physician payment cuts that are expected for 2004 and subsequent years.

Due to flaws in the physician payment update formula, the physician payment crisis continues. Without Congressional action this year, Medicare payment rates for physicians and other health professionals, whose payment rates are tied to the physician fee schedule, are predicted to fall by 4.2% in 2004. This cut would be the fifth cut since 1991, and would be on top of a 5.4% cut in 2002. Additional cuts are also estimated for 2005, 2006, and 2007. From 1991-2003, payment rates for physicians and health professionals fell 14% behind practice cost inflation, as measured by Medicare’s own conservative estimates.

Positive payment updates for 2004 and 2005 would help avert a Medicare meltdown.

The cuts expected in 2004 and subsequent years are due to the Medicare payment update formula, which is flawed for two reasons: First, payment updates are based on a sustainable growth rate (SGR) system, which is tied to the gross domestic product (GDP). This means that when GDP declines as the economy softens, payment updates decline as well. The medical needs of patients, however, do not decline during economic downturns. Second, physicians and health professionals are penalized with lower payments when volume increases exceed the SGR spending target. Yet, there are a number of factors driving these volume increases that are often beyond physicians’ control, including government efforts that promote greater use of physician services through new coverage decisions, quality improvement activities and many other administrative decisions that, while good for patients, are not reflected in the SGR.

In fact, the pending Medicare legislation includes a number of provisions that, as discussed above, are good for patients, but would increase utilization of physicians’ services. In addition to the new prescription drug coverage, the bill would also establish or improve Medicare coverage of new services, such as preventive physical exams, cholesterol and lipid screenings and colorectal cancer screenings. These types of initiatives increase utilization of physicians’ services in two ways: Medicare patients will visit their physicians to obtain the newly-covered drug or other medical service, and these patients may require related follow up care or additional care for a condition that would have gone undetected had the patient not visited their physician to obtain the new service. All of these costs should be

taken into account in determining payments update for physicians' services. Payments should not be cut due in part to increased utilization that derives from government initiatives.

As you know, a number of surveys have indicated that physicians are increasingly limiting how many Medicare patients they see and that more will be forced to do so if payments are cut again. Cuts in Medicare payments also jeopardize access to medical care for military retirees and dependents because their TRICARE insurance ties its payment rates to Medicare.

We applaud your commitment to protecting access to needed medical care for senior and disabled Americans. We urge you to ensure such continued access by including provisions in the final conference report for the "Medicare Prescription Drug and Modernization Act of 2003" to establish positive payment updates for physicians and other impacted health professionals, at no less than 1.5% for each of 2004 and 2005.

Sincerely,

American Academy of Audiology
 American Academy of Child and Adolescent Psychiatry
 American Academy of Facial Plastic and Reconstructive Surgery
 American Academy of Family Physicians
 American Academy of Neurology
 American Academy of Ophthalmology
 American Academy of Otolaryngology-Head and Neck Surgery
 American Academy of Pediatrics
 American Academy of Physician Assistants
 American Academy of Sleep Medicine
 American Association for Vascular Surgery
 American Association of Clinical Endocrinologists
 American Association of Nurse Anesthetists
 American College of Chest Physicians
 American College of Nuclear Physicians
 American College of Nurse-Midwives
 American College of Nurse Practitioners
 American College of Obstetricians and Gynecologists
 American College of Osteopathic Family Physicians
 American College of Osteopathic Surgeons
 American College of Physicians
 American College of Rheumatology
 American College of Surgeons
 American Geriatrics Society
 American Medical Association
 American Medical Directors Association
 American Medical Group Association
 American Nurses Association

American Occupational Therapy Association
American Optometric Association
American Osteopathic Academy of Orthopedics
American Osteopathic Association
American Physical Therapy Association
American Podiatric Medical Association
American Psychiatric Association
American Psychiatric Nurses Association
American Society for Gastrointestinal Endoscopy
American Society of Addiction Medicine
American Society of Anesthesiologists
American Society of Clinical Oncology
American Society of General Surgeons
American Society of Hematology
American Society of Plastic Surgeons
American Speech-Language-Hearing Association
American Thoracic Society
Association of American Medical Colleges
College of American Pathologists
Emergency Department Practice Management Association
Infectious Diseases Society of America
Joint Council of Allergy, Asthma and Immunology
Marshfield Clinic
Mayo Clinic
Medical Group Management Association
NASPE – Heart Rhythm Society
National Association for Medical Direction of Respiratory Care
National Association of Social Workers
Renal Physicians Association
Society for Cardiac Angiography and Intervention
Society for Excellence in Eyecare
Society for Vascular Surgery
Society of Critical Care Medicine
Society of General Internal Medicine
Society of Hospital Medicine
Society of Interventional Radiology
Society of Nuclear Medicine
The Endocrine Society