

August 23, 2005

The Honorable Bill Thomas
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

**Letters also sent to Reps. Barton, Brown,
Deal, Dingell, Johnson, Rangel & Stark**

Dear Mr. Chairman:

On behalf of the undersigned organizations we are writing to share with you a high level conceptual framework that proposes a phased-in approach to implementing pay-for-performance (PFP) for physicians and other health care professionals participating in Medicare. We are committed to working with Congress and the Administration to help develop a fair, ethical, patient-centered, and evidence-based Medicare PFP program.

The attached framework is the result of extensive work by organizations representing a wide variety of physician specialties and health care professionals. It is our belief that the only way PFP will be successful in Medicare is if it recognizes the great diversity of clinical practice in this country. Many of our organizations have shared with you very detailed principles outlining the necessary elements for PFP to work effectively. This framework is not intended to supersede these important documents but rather highlight areas of consensus in Medicare to provide you with our best sense of how Medicare might begin to implement PFP.

Fundamental to this framework is the recognition that Medicare today sits at a crossroads. Modernizing the way Medicare pays practitioners to help support quality care will not work under the existing Sustainable Growth Rate (SGR) formula. Medicare patient access is already threatened by projected payment cuts totaling 26% over the next six years. If implemented along side the SGR formula, PFP will only further penalize physicians and other health care professionals for providing the care necessary to keep their patients healthy. The SGR and PFP are inconsistent methodologies from both a conceptual as well as practical standpoint. Our organizations believe the SGR formula must be repealed if PFP is to be successfully implemented in Medicare.

We look forward to a dialogue on the attached framework.

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 Physical Medicine and Rehabilitation
American Academy of Physician Assistants
American Association of Clinical Urologists
American Association of Hip and Knee Surgeons
American Association of Neurological Surgeons
American Association of Orthopaedic Surgeons
American Association of Practicing Psychiatrists
American College of Cardiology
American College of Emergency Physicians
American College of Gastroenterology
American College of Nuclear Physicians
American College of Nurse Practitioners
American College of Obstetricians and Gynecologists
American College of Osteopathic Surgeons
American College of Physicians
American College of Radiology Association
American College of Rheumatology
American College of Surgeons
American Gastroenterological Association
American Geriatrics Society
American Medical Association
American Medical Directors Association
American Medical Group Association
American Nurses Association
American Osteopathic Academy of Orthopedics
American Osteopathic Association
American Physical Therapy Association
American Psychiatric Association
American Psychoanalytic Association
American Shoulder and Elbow Surgeons
American Society for Gastrointestinal Endoscopy
American Society for Reproductive Medicine
American Society for Therapeutic Radiology and Oncology
American Society of Addiction Medicine
American Society of Anesthesiologists
American Society of Cataract and Refractive Surgery
American Society of General Surgeons
American Society of Hematology
American Society of Interventional Pain Physicians
American Society of Nephrology
American Society of Nuclear Cardiology
American Society of Plastic Surgeons
American Speech-Language-Hearing Association
American Urological Association

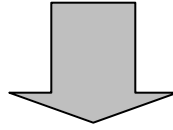
Association of American Medical Colleges
College of American Pathologists
Congress of Neurological Surgeons
Emergency Department Practice Management Association
Heart Rhythm Society
Joint Council of Allergy, Asthma and Immunology
Medical Group Management Association
National Association of Spine Specialists
National Medical Association
National Rural Health Association
Orthopaedic Trauma Association
Pediatric Orthopaedic Society of North America
Renal Physicians Association
Scoliosis Research Society
Society for Cardiovascular Angiography and Interventions
Society for Vascular Surgery
Society of Critical Care Medicine
Society of Hospital Medicine
Society of Nuclear Medicine
Society of Thoracic Surgeons

2006 Ramp-up

Medicare Update: Total additional dollars allocated to fix the SGR at least equal to the amount required to provide a fee schedule update equal to the increase in the MEI.

Development Period

- Measure Development (ongoing)
- PFP Pilot Tests/Demos

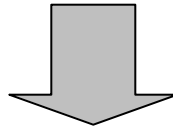


2007 Pay for Reporting

Medicare Update: Total additional dollars allocated to fix the SGR and fund a pay for reporting program are at least equal to the amount required to provide a fee schedule update equal to the increase in the MEI. All physicians guaranteed a payment “floor” of positive updates.

Reporting basic quality information such as:

- Practice structure (e.g. functions of IT use – patient registries)
- Participation in patient safety programs / use of protocols (e.g. mark your site, time out)



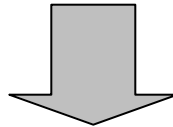
Development Period

- Measure Development (ongoing)
- PFP Pilot Tests/Demos

2008-2009 Pay for Reporting / Pay for Participation

Medicare Update: Total additional dollars allocated to fix the SGR and fund a pay for reporting / pay for participation program are at least equal to the amount required to provide a fee schedule update equal to the increase in the MEI. All physicians guaranteed a payment “floor” of positive updates.

- Transition to participation in more advanced quality improvement programs and reporting of evidence-based quality measures. Quality performance data will be transmitted back to physicians for internal quality improvement purposes. This phase would also test the feasibility of collecting data and accurately measuring physician performance in preparation for PFP.



Development Period

- Measure Development (ongoing)
- PFP Pilot Tests/Demos

2010 Pay for Performance

Medicare Update: Pay for performance (PFP) provisions are triggered contingent on repeal of SGR formula. Long term solution must assure that sufficient dollars are allocated to allow for positive annual fee schedule updates linked to inflation and money to be set aside to fund the proposed PFP program. All physicians must be guaranteed a payment “floor” of positive updates.

- % of Medicare payment of physicians (all specialties) based on quality performance
- Program focus on continuous quality improvement
- Performance measured on evidence-based measures of process and/or outcomes with appropriate risk adjustment, valid sample size, etc..
- Any “efficiency measures” used are transparent, evidence based, and focus on clinical quality improvement
- Only after adequate safeguards are put in place to prevent unintended consequences such as patient de-selection is public reporting permitted
- HHS conducts studies on Medicare program savings resulting from Part B quality efforts