

February 28, 2007

The Honorable Charles B. Rangel  
Chairman  
Committee on Ways and Means  
1102 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Rangel:

On behalf of the undersigned organizations, we are writing to share with you a proposal for modifying Medicare's physician payment formula while at the same time encouraging care that is both high quality and cost-effective. Our central premise is that successful efforts to encourage judicious use of care are best fostered through positive incentives that inspire physicians and other health care professionals to work toward this end, not by top-down spending targets that cannot distinguish between appropriate and inappropriate care.

The Sustainable Growth Rate (SGR) that governs annual updates in Medicare payments to our members has created a situation where the average Medicare payment rate in 2007 is essentially the same as in 2001 and our members face cuts of nearly 40% over the next eight years. The SGR has deterred investment in staff and health information technology to support quality initiatives and resource management. It punishes physicians and other health professionals for any spending over the target even if the spending is part of an effort that encourages enhanced use of preventive care in order to reduce the need for future hospitalizations. And it has spawned a budget baseline that ties policymakers' hands and dictates payment policies based on their short-term price rather than their long-term value.

The attached recommendations are the result of extensive work by organizations representing a wide variety of physician specialties and other health care professionals. Many of us have provided you with more detailed proposals for modifying the physician payment system. This document is not intended to supercede those proposals but rather to highlight areas of consensus, starting with our unanimous opinion that the SGR is fundamentally flawed and must be replaced.

After five years of temporary fixes, we are well acquainted with the cost concerns associated with any substantive reform of the formula. We understand that the path to reform may not be as direct or rapid as we would like and we acknowledge that physicians and other health professionals must do their part to help make Medicare more efficient. That is why our proposal also lays out a transitional path to reform and outlines a number of steps that Congress could take to support and encourage the profession's efforts to ensure that Medicare beneficiaries receive the most appropriate care in the most appropriate setting.

We look forward to further dialogue on our proposal as you seek solutions to the very difficult problem the SGR has produced.

Sincerely,

American Academy of Audiology  
American Academy of Dermatology Association  
American Academy of Family Physicians  
American Academy of Hospice and Palliative Medicine  
American Academy of Neurology  
American Academy of Ophthalmology  
American Academy of Otolaryngic Allergy  
American Academy of Otolaryngology-Head and Neck Surgery  
American Academy of Pediatrics  
American Academy of Physical Medicine and Rehabilitation  
American Academy of Physician Assistants  
American Association for the Study of Liver Diseases  
American Association of Clinical Endocrinologists  
American Association of Clinical Urologists  
American Association of Neurological Surgeons  
American Association of Orthopaedic Surgeons  
American Chiropractic Association  
American College of Cardiology  
American College of Chest Physicians  
American College of Emergency Physicians  
American College of Gastroenterology  
American College of Nuclear Physicians  
American College of Obstetricians and Gynecologists  
American College of Osteopathic Family Physicians  
American College of Osteopathic Internists  
American College of Osteopathic Surgeons  
American College of Physicians  
American College of Preventive Medicine  
American College of Radiology  
American College of Rheumatology  
American College of Surgeons  
American Gastroenterological Association  
American Geriatrics Society  
American Medical Association  
American Medical Directors 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 Rhinologic Society  
American Society for Clinical Pathology  
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 Breast Surgeons  
American Society of Cataract and Refractive Surgery  
American Society of Clinical Oncology  
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 Pediatric Nephrology  
American Society of Plastic Surgeons  
American Speech-Language-Hearing Association  
American Thoracic Society  
American Urological Association  
Association of American Medical Colleges  
Child Neurology Society  
College of American Pathologists  
Congress of Neurological Surgeons  
Heart Rhythm Society  
Infectious Diseases Society of America  
Medical Group Management Association  
National Association of Spine Specialists  
Renal Physicians Association  
Society for Cardiovascular Angiography and Interventions  
Society for Vascular Surgery  
Society of Gynecologic Oncologists  
Society of Interventional Radiology  
Society of Nuclear Medicine  
The Endocrine Society

Joint Recommendations to Congress  
On Eliminating the SGR  
And  
Supporting Efforts to Promote Health Care Quality and Appropriateness

1. The SGR should be repealed and replaced with an update system that reflects increases in physicians' and other health professionals' practice costs.
  - All of the targets that Congress has said should be examined as a possible alternative to the SGR will have a significant cost.
  - All of the alternatives currently under consideration—including regional targets and expanding the targets to include hospitals, nursing homes and other providers—would inject significant administrative and political complexities.
  - These alternatives also could create obstacles to the purchase of health information technology for quality improvement and to the development of care coordination programs.
  
2. Congress should support initiatives by organizations representing physicians and other health care professionals to bridge gaps in care and assure the appropriateness of services provided to Medicare beneficiaries. Such support could include:
  - Instructing HHS to work with organizations of physicians and other professionals to develop methodologies to provide accurate, confidential and comparative information to individual practitioners on how their quality and utilization compares to their peers as tools for self-improvement.
  - Encouraging efforts by organizations representing physicians and other health professionals to develop voluntary guidelines on the appropriate utilization of services and to obtain and analyze data on the growth in the utilization of services and quality of services by condition, type of service, episodes of illness, region and specialty.
  - Providing financial support and positive incentives to help and encourage acquisition of the tools and information technology needed to provide consistent and high quality care.
  - Directing Medicare to pay medical practices for care coordination services that fall outside of a face-to-face encounter. System-wide savings—such as reductions in hospital admissions and readmissions (Part A) and more effective use of pharmacologic therapies (Part D)—achieved by these programs should be applied to funding the care coordination services. If enacted by Congress, such a policy should be considered a change in law that would not require a budget neutrality offset in the Medicare Physician Fee Schedule.
  - Supporting efforts by the profession, the RUC, and CMS to improve the accuracy of Medicare's resource-based relative value scale to ensure that all costs, including uncompensated care and updated practice expenses, are recognized and that the payment system does not inadvertently encourage inappropriate treatment decisions.

3. If immediate repeal of the SGR is not possible, Congress must:
  - Establish by law a transition, pathway and “date certain” to complete elimination of the SGR.
  - Provide positive physician/health care professional updates set by statute for each year until repeal takes effect.
  - Stabilize payments for a minimum of two years by providing positive baseline updates to all physicians/health care professionals.
    - Consistent with the Medicare Payment Advisory Commission’s recommendation, a scheduled cut of 10% in 2008 should be replaced with an increase of 1.7% and CMS should be urged to use the \$1.35 billion fund provided in H.R. 6111 to help stabilize the update
    - In 2009, the update should similarly reflect increases in the costs of providing services instead of an anticipated cut of 5% or more.
  - Spend down the costs of repealing the SGR by fully funding the positive updates.
  - Urge the Administration to exercise its authority to remove physician-administered drugs from the SGR and make other refinements in the formula to help reduce the cost of Congressional action.
  
4. The transitional 2007 Medicare Physicians Quality Reporting Initiative should be re-examined before being expanded into future years.
  - The program should focus on meaningful improvements in patient care rather than conditioning positive updates for all physicians and practitioners on “reporting for the sake of reporting.”
  - It should be designed so that timelines for implementation are realistic and CMS has the capability to effectively administer the program.
  - If the program is continued beyond 2007, funding should be sufficient to provide additional payments beyond the positive inflation update for those who report on clinical measures.
  - Any physician-level clinical measures used in a pay-for-reporting program must be developed through a multi-specialty consensus process organized by medicine (the Physicians’ Consortium for Performance Improvement).
  
5. To make Medicare sustainable in the future, Congress should identify and begin to enact additional reforms which will be necessary to create incentives for judicious use of services and to adequately fund the program.