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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

AMBER COTTLE, STAFF DIRECTOR
CHRIS CAMPBELL, REPUBLICAN STAFF DIRECTOR

May 10, 2013

Dear Health Care Provider Community,

The broken Medicare physician sustainable growth rate (SGR) formula must be repealed. Every year the reductions dictated by the SGR formula lead physicians and other health care providers to fear dramatic cuts to their Medicare payments. In 2014, physicians will face a 25 percent payment reduction under this formula. While Congress has intervened each year to prevent these cuts, it is time to repeal this flawed formula and end the annual “doc fix” ritual. The annual uncertainty generated by potential cuts is not fair to physicians and other providers, but most importantly it is not fair to our seniors who need access to their caregivers.

Last year, the Senate Finance Committee (the Committee) engaged the health care community on physician payment reform through various meetings and round table discussions with experts and stakeholders. This year, physician payment reform and SGR repeal remain a top priority for the Committee. Both of us are committed to seeking a permanent solution that will address the SGR and Medicare physician payment reform. We seek input from health care providers to help us reach this objective.

Our ultimate goal is for Medicare to pay physicians and other health care providers in a way that results in high quality, affordable care for seniors. We support identifying alternative models, including those being currently tested, with a clear recognition that these will take time to develop and scale. To facilitate the transition to new models, the American Taxpayer Relief Act of 2012 contained provisions to encourage the development and use of provider-led clinical data registries and the sharing of timely performance data with physicians.

While the ultimate end is new payment models, we recognize that the current fee-for-service (FFS) system will continue to be the standard in the short term and, for certain physician practices, for the longer term as well. A key finding of last year’s stakeholder discussion is that we should address the underlying fee schedule and FFS system in any permanent reform to physician payment. We must improve the current system to ensure that it makes appropriate payments for physician services, reduces unnecessary utilization, and improves quality while also easing the transition to new payment models.

It is imperative that there be a robust quality component to both the current and future payment systems. We recognize the recent efforts in the House of Representatives to seek community input on quality initiatives, and we thank the groups that have provided their views on this important topic. In an effort to avoid duplication with the input being sought by others, we are

using this opportunity to focus input from stakeholders on policies that specifically affect the Medicare physician fee schedule and FFS system:

1. MedPAC and others have suggested changes they believe would improve the accuracy of fee schedule payment amounts and the validity of resource inputs used to establish payments for services under the fee schedule. What **specific** reforms should be made to the physician fee schedule to ensure that physician services are valued appropriately?
2. Physician services are critical to the ongoing health of Medicare beneficiaries. Appropriate utilization of physician services can lessen disease burden and reduce avoidable emergency department visits and hospitalizations. However, inappropriate or excessive utilization of physician-related services can negatively impact beneficiary health and drive up Medicare spending. Volume control mechanisms are not an inherent component of a FFS system. The SGR was intended to address excessive volume, but its mechanism is fatally flawed. What **specific** policies should be implemented that could coexist with the current FFS physician payment system and would identify and reduce unnecessary utilization to improve health and reduce Medicare spending growth?
3. Shifting from a FFS system to an alternative payment model will be a major change for many physicians. Within the context of the current FFS system, how **specifically** can Medicare most effectively incentivize physician practices to undertake the structural, behavioral, and other changes needed to participate in alternative payment models?

The Committee invites input from the provider community and other key stakeholders as we develop a more viable alternative to the SGR that will provide stability for physician reimbursement and lay the necessary foundation for a performance-based payment system.

Comments containing specific suggestions will be of the most value to the Committee as we continue to work on physician payment reform.

Please submit responses to the SGR comments mailbox at sgrcomments@finance.senate.gov by May 31, 2013. If you have questions regarding this request, please contact [redacted] at 202-224-4515.

Sincerely,

Max Baucus, Chairman
Senate Committee on Finance

Orrin Hatch, Ranking Member
Senate Committee on Finance