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Hearing Statement of Senator Max Baucus (D-Mont.)
On Improving the Flawed Medicare Payment System
As prepared for delivery

Benjamin Franklin once said, "You may delay, but time will not, and lost time is never found again."

Those words ring true today as we work to repeal the sustainable growth rate, or SGR. This is the formula used to pay doctors who treat Medicare patients. It is antiquated, inefficient and flawed.

Over the past decade, the SGR has called for Medicare payment cuts to physicians that are unsound. Next year, physicians face a 25 percent cut under the formula. This deep cut would mean many seniors could lose access to their doctors. I refuse to let that happen.

In each of the last 10 years, Congress has prevented these cuts to physicians by passing a patch, but we never addressed the root cause of the problem — the SGR itself.

It is time to repeal this broken formula, and we need to do it this year.

The most recent 10-year estimate for repealing the SGR is \$139 billion. This is a lot of money, but last year's estimate for repeal was nearly twice as much. So we must act.

But we cannot just repeal the SGR. We need to change the entire fee-for-service system that Medicare uses to pay physicians.

Fee-for-service promotes volume over value. That is certainly not a model of efficiency. We need to encourage physicians to coordinate patient care to save money and improve health outcomes.

At the same time, we must remember that the payment system sets payments for other providers as well as physicians. This system pays nearly 850,000 clinicians, and 300,000 of these clinicians are advanced practice nurses and physician assistants. A new SGR system must work for all of these health care providers.

The Center for Medicare and Medicaid Innovation is testing new ways to compensate physicians and other providers who deliver high quality, efficient care. And the Affordable Care Act took a key step in controlling Medicare costs by creating Accountable Care Organizations. These groups of doctors and hospitals work together to provide quality care for Medicare patients.

These multi-specialty groups are helping us understand how to incentivize providers to provide value. These organizations share in the savings they achieve when they provide more efficient quality care.

I'm proud that the Billings Clinic in Montana became an Accountable Care Organization this past January.

Teams of providers are working together to coordinate care for chronically ill patients. That's just one of their missions. They're also focused on improving access to primary care, with the goal of getting sick patients a doctor's appointment the same day.

While new systems are being tested, we need to improve the current system. Doctors and nurses who see patients every day can give valuable ideas about what works and what doesn't.

That's why in May, Senator Hatch and I sent a letter to the health care provider community asking for their advice. What can we do to improve the system? What would make your practice better? We asked for specific, concrete ideas.

The response was encouraging. We received 133 letters. Physicians told us they are working to improve their quality of care, to improve communications with patients and to work in teams. They're trying.

They are developing new types of practices with a focus on outcomes and continuous care. They are using evidence-based guidelines to reduce unnecessary services.

Physicians want to improve their performance and efficiency, and Medicare's payment policy needs to incentivize that improvement.

I want to highlight the letter from the American College of Physicians. They gave us concrete examples, down to how Medicare could incentivize physicians to use guidelines that help them decide when to order tests and perform procedures. This would encourage doctors to provide the care seniors need, and avoid unnecessary care that might cause harm.

I'm not saying we will accept all of their suggestions, but their comments help us see different angles of potential policies.

We also have brought experts to the Finance Committee to hear their ideas about fixing the SGR. We held three roundtables and a hearing in May. It is now time to hear from CMS.

In his 2014 budget proposal, the President agrees that we need to move to alternative payment models, and he recognizes this will take time. His budget proposal also advocates reforms to the current system.

Today we will learn what CMS is doing to improve physician payments, and we want to hear CMS's views on a new plan for Medicare physician policies.

For as Benjamin Franklin warned, you may delay, but time will not. So let us get to work repealing this flawed system and developing a new one that works for providers and patients.

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