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

The best-selling business author Tom Peters once said, "If a window of opportunity appears, don't pull down the shade."

We should keep those words in mind today as we examine the method Medicare uses to determine physician payments, the sustainable growth rate, otherwise known as the SGR. For the past ten years, this flawed formula has dictated drastic reductions in Medicare physician payments.

Next year, physicians will face a 25 percent cut under the SGR. This deep cut would mean many seniors could lose access to their doctor.

Each year, Congress has intervened to prevent these cuts. But we need to get beyond this annual "doc fix" ritual. The year-in, year-out uncertainty is not fair to physicians or seniors.

Since 2003, Congress has made 15 short-term fixes to the SGR at a cost of nearly \$150 billion. In 2010 alone, we passed six short-term fixes. It is time to break this cycle.

Ninety-seven percent of Medicare beneficiaries see a physician at least once a year, and most beneficiaries with chronic conditions see their doctor at least monthly.

We need to ensure that seniors can continue to see their doctors. We must permanently repeal this broken formula and we need to do it this year.

The most recent 10-year score for repealing the SGR is \$138 billion. While this is a large amount, it is more than \$100 billion less than last year's score. This is a window of opportunity. We need to seize it.

But we should not simply repeal the SGR. We also must change the underlying fee-for-service system that Medicare uses to pay physicians. Fee-for-service promotes volume over value. Physicians are rewarded for doing more tests and more procedures, even when unnecessary.

It does not encourage physicians to coordinate patient care to save money and improve health outcomes.

Last year this Committee held three roundtable sessions on improving the system to reward physicians for providing high-quality, high value care. We heard from former CMS Administrators, private plans and physician groups.

This year, we held two hearings in which we heard from CMS leaders about their efforts to develop new payment models.

We heard that there is a better way of doing business. The Innovation Center told us there are promising payment systems that would hold physicians accountable for providing high quality, efficient care.

These models include accountable care organizations, payment bundles, and medical homes. They incentivize physicians to coordinate patients' care. They focus on reducing emergency visits and hospitalizations.

They have the potential to control spending for Medicare and beneficiaries alike. More important, they mean better care for patients.

Physicians are eager to move to better systems. Jean Branscum from the Montana Medical Association recently wrote to me about the uncertainty created by the current SGR policy.

She said that Montana physicians want new payment models that improve health care and lower costs. She added that there's no time to waste. The continual uncertainty is driving physicians to limit the number of Medicare patients they see.

Unfortunately, the new models the Innovation Center is developing are not ready to replace the fee-for-service system. CMS and the Innovation Center need to quickly finish the new models so Medicare rewards value instead of volume. In the meantime, we must improve the current system.

We want to hear from doctors and other providers who see patients every day. They can help us identify ways to improve care and reduce unnecessary costs. We need the doctors on the front lines to step up with ideas.

Last Friday, Senator Hatch and I sent a letter to health care providers. We asked for their advice on improving the current fee-for service system.

First, we need to make sure each service is valued appropriately. Second, we want ways to reduce unnecessary services. Congress originally enacted the SGR to control spending, but it hasn't worked. The replacement clearly must do a better job of controlling costs. Finally, we need advice on how to help physicians transition to alternative payment models.

Our letter asks for specific suggestions. I emphasize "specific." We need concrete policies that can be implemented now to replace the SGR.

I look to our panelists to help us identify short-term, ready-to-go solutions. We have an opportunity to repeal the SGR once and for all this year. I encourage us to not draw the shade on this window of opportunity.

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