AMA
AMERICAN
MEDICAL
ASSOCIATION

Michael D. Maves, MD, MBA, Executive Vice President, CEO

September 21, 2009

The Honorable Max S. Baucus
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Baucus:

On behalf of the physician and medical student members of the American Medical Association (AMA), I want to thank you for your leadership and significant efforts to advance our mutual objective of achieving comprehensive health system reform this year.

We are encouraged that the Chairman's mark (America's Healthy Future Act of 2009) includes several provisions consistent with our policy. In general, we support the provisions in the mark that reform the health insurance market to provide more choice and better access to affordable coverage for individuals and small businesses, including provisions relating to guaranteed issue, guaranteed renewability, modified community rating, pre-existing condition limitations, nondiscrimination based on health status, adequacy of provider networks, and transparency. We also support: tax credits that are inversely related to income, refundable, and payable in advance to low-income individuals who need financial assistance to purchase private health insurance; establishing health insurance exchanges that offer more affordable choices; enhancing Medicaid coverage as a safety net; coverage for prevention and wellness initiatives without co-payments or deductibles; and establishing an independent institute to conduct clinical comparative effectiveness research.

The AMA has serious concerns about several provisions in the mark.

<u>Medicare Physician Payment Formula</u>

We deeply appreciate your support for a permanent repeal of the sustainable growth rate (SGR) during the full Senate's consideration of health system reform legislation. While the AMA appreciates that the mark would avoid a 21 percent cut in Medicare physician payments in January, a permanent repeal of the SGR must be enacted this year. Continuation of the SGR would subject physicians to cuts of 40 percent over the next several years. Permanently repealing the SGR formula is critical to the goal of ensuring security, stability, and access for seniors.

American Medical Association 515 N. State St. Chicago IL 60654
phone: (312) 464-5445 fax: (312) 464-5896 www.ama-assn.org

Independent Medicare Commission

The AMA has serious concerns with the authorities granted to the Independent Medicare Commission in the mark and we look forward to working with you on significant changes to the proposal. Physicians are already subject to a spending target and additional payment penalties under other provisions in the mark. Creating a second target system could subject physician services to multiple payment cuts in a single year. Further, the provision does not appear to apply equally to all health care stakeholders. This presents a serious inequity if spending reductions are to be found from only a fraction of the program. Medicare spending targets must reflect appropriate increases in volume that may be a result of policy changes, innovations that improve care, greater longevity and unanticipated spending for such things as influenza pandemics. Congress should also retain the ability to achieve a different level of savings than proposed by the Medicare Commission to adjust for new developments that warrant spending increases.

Physician Quality Reporting Initiative

We appreciate the proposed improvements to the Physician Quality Reporting Initiative (PQRI) to require timely feedback and establish an appeals process. The AMA does not support a mandatory PQRI or penalties for physicians who do not successfully participate. Based on our experience with the PQRI to date, this program is fraught with administrative problems that have made it extremely difficult to assess whether a physician has successfully participated, and due to these problems penalties would be unwarranted. Further, not all physicians are currently eligible to participate in the PQRI due to the lack of approved measures for their service mix.

Physician Outlier Proposal

Given the limited experience the Centers for Medicare and Medicaid Services has had implementing the provider resource use reports authorized under current law, we believe it is unwise to authorize financial penalties on physicians identified as outliers. Private and state insurance programs have experienced serious problems with the accuracy and validity of episode grouper methodologies to "profile" physicians.

Medicare/Medicaid Enrollment Fee

Physicians should not be subject to the proposed $350 enrollment fee for participation in Medicare and Medicaid. While some may view the fee as a minor expense, we believe that it has the potential to discourage physician participation in the program. We understand that the intent of the proposed enrollment fee is to cover the cost of screening measures intended to curb potential fraud and abuse activities, particularly by unscrupulous durable medical equipment suppliers. Physicians are already subject to multiple fraud and abuse review processes by Medicare contractors, recovery audit contractors, and the Office of Inspector General, and the type of measures being proposed in the mark simply add a new burden on physicians whose reimbursement under Medicare already fails to keep pace with increasing practice costs.

Primary Care and General Surgery Bonuses

The AMA supports primary care and general surgery bonus payments treated as a funded workforce investment that is not offset through a reduction in payments to other physicians. We strongly encourage

you to identify other pay-fors to fully fund the proposed bonuses that do not make across-the-board cuts to other Medicare physician services.

Physician-Owned Hospitals

We oppose the proposal to eliminate the whole hospital exception to the Stark self-referral law. Physician-owned hospitals have achieved the highest quality scores in some markets and have been shown to provide more net community benefits through uncompensated care and taxes than not-for-profit competitors as a share of total revenues. In addition, a recent study by the Center for Studying Health System Change found that physician-owned hospitals do not adversely affect general hospitals' ability to care for patients. Limiting the viability of physician-owned hospitals will reduce access to high-quality health care and have a destructive effect on the economy in communities these hospitals serve. Proposed limits on existing physician-owned hospitals would put them at a competitive disadvantage, making it difficult for them to respond to the health care needs of their local communities. The provisions would also effectively shut down many physician-owned hospitals currently under development. We urge that this provision be removed from the mark.

Once again, the AMA is grateful for your leadership. We support many of the provisions in the mark to reform the insurance market and ensure affordable coverage for all Americans and look forward to working closely with you and your colleagues to resolve our outstanding concerns.

Sincerely,

Michael D. Maves, MD, MBA