

July 25, 2013

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Henry A. Waxman
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
2322A Rayburn House Office Building
Washington, DC 20515

The Honorable Joe Pitts
Chairman
Energy and Commerce Health Subcommittee
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone, Jr.
Ranking Member
Energy and Commerce Health Subcommittee
U.S. House of Representatives
2322A Rayburn House Office Building
Washington, DC 20515

The Honorable Michael C. Burgess
Vice Chairman
Energy and Commerce Health Subcommittee
2336 Rayburn House Office Building
Washington, DC 20515

The Honorable John D. Dingell
Chairman Emeritus
Committee on Energy and Commerce
2328 Rayburn House Office Building
Washington, DC 20515

Dear Representatives Upton, Waxman, Pitts, Pallone, Burgess, and Dingell:

The undersigned organizations deeply appreciate the work underway in the Energy and Commerce Committee to eliminate the sustainable growth rate (SGR) formula that has threatened access to care for Medicare patients and impeded the adoption of new health care delivery and payment models that will lead us to a higher performing program. We are highly encouraged by the extensive stakeholder outreach that took place as this legislation was developed, and by the early leadership role taken by the Committee. We are writing today to express our shared view about an ill-advised provision in the bill as reported by the Health Subcommittee, and to urge the full Committee to amend the provision during its mark up next week.

In 2016, 2017, and 2018, the legislation directs the Centers for Medicare and Medicaid Services (CMS) to make net payment reductions of up to 1 percent for misvalued services in the Medicare fee schedule. Of great concern, these reductions would be implemented without regard for the existing “budget neutrality” requirements now in law. The bill would remove savings realized from relative value unit (RVU) reductions out of the payment pool rather than allowing them to be redistributed to other physician services.

Work to identify and correct misvalued services in the Medicare fee schedule is important and well underway. CMS began to focus on RVU corrections in such services in 2009, and since that time reductions have been made in over 500 services; as of this year, over \$2.5 billion to be redistributed to other physician services, and we anticipate further significant payment redistributions will be made when the final 2014 fee schedule is implemented. Another 250 services are scheduled to be reviewed with changes implemented by 2015. Importantly, the budget neutrality concept enables CMS to redistribute savings to services viewed as undervalued, as well as to new services when they are incorporated into the fee schedule. For example,

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medicine has long recommended that savings from misvalued codes be used by CMS to offset the costs of undervalued services, such as extending Medicare coverage to care coordination and chronic disease management services.

Further, from 2001 to 2013, the average annual Medicare physician payment update has been just 0.29 percent. As a result, average inflation-adjusted Medicare payment rates have fallen by nearly 20 percent. Annual growth in utilization of fee schedule services per-beneficiary has also been declining steadily since 2004, reaching zero percent in 2013. At the same time, overhead costs continue to rise as physicians work to adopt electronic health records and meet other regulatory requirements. Siphoning funds from the fee schedule at this time contradicts our shared goal of encouraging physicians to invest in practice changes and prepare for participating in new health care delivery and payment models.

We strongly urge the Committee to amend the RVU adjustment provisions in the SGR repeal legislation so that the budget neutrality provisions in current law remain in place.

Sincerely,

American Academy of Family Physicians
American College of Physicians
American College of Surgeons
American Medical Association
California Medical Association
Medical Society of New Jersey
Michigan State Medical Society
Pennsylvania Medical Society
Texas Medical Association