

Chairman Herger Announces Hearing on Reforming Medicare Physician Payments
Thursday, May 05, 2011

House Ways and Means Health Subcommittee Chairman Wally Herger (R-CA) today announced that the Subcommittee on Health will hold a hearing to explore new models for delivering and paying for services that physicians furnish to Medicare beneficiaries. In what will be the first in a series of hearings on this topic, the Subcommittee will focus on models that have the potential to improve quality and constrain the rate of cost growth. The Subcommittee will hear from witnesses who are participating in delivery reform models. **The hearing will take place on Thursday, May 12, 2011, in 1100 Longworth House Office Building, beginning at 2:00 P.M.**

In view of the limited time available to hear from witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing. A list of witnesses will follow.

BACKGROUND:

The Sustainable Growth Rate (SGR) formula was implemented in 1998 as the mechanism that determines the rate by which Medicare fee-for-service payments to physicians are updated on an annual basis. The SGR limits the growth in Medicare physician service spending to the rate of growth in the overall economy. The formula is cumulative in that the tally of actual and target expenditures is maintained on an on-going basis since the formula's inception. If expenditures are lower than the target, physician payments are increased. If expenditures are higher than the target, payments are decreased. As the rate of growth in expenditures on physician services has consistently exceeded the rate of growth in the economy in recent years, the SGR system has called for a cut in physician payments in each of the past ten years. Congress has intervened to avert the cuts each year since 2003 through numerous pieces of legislation. As a result of this legislation and the cumulative nature of the SGR, the magnitude of the projected cuts to physician reimbursements and the cost to override future cuts have grown. The Centers for Medicare and Medicaid Services (CMS) projects that physicians will receive a 29.5% rate cut next year, absent Congressional action. The nonpartisan Congressional Budget Office (CBO)

estimates that freezing payment rates at their 2011 levels for the next 10 years would increase Medicare spending by \$298 billion.

The Medicare fee-for-service payment system provides an inherent financial incentive for physicians to increase the number of services they provide. The SGR formula has failed to constrain fee-for-service expenditure growth, primarily because of increased utilization but also because Congress has repeatedly passed legislation to override the cuts called for by the SGR. In addition, Medicare payments to physicians are currently made without taking into account the quality of the services provided. There is broad acknowledgement of the shortcomings of the current payment system and the growing importance of moving to payment models that incentivize patient-centered, high-quality, and outcomes-oriented care.

In announcing the hearing, Chairman Herger stated, “ **There is widespread agreement that Congress must abandon the practice of short-term patches to avoid cuts to physician payment rates, which only make the problem larger and more expensive to fix. The SGR system creates tremendous uncertainty year after year for physicians and Medicare beneficiaries alike. This hearing will enable the Subcommittee to hear details about other payment approaches that hold promise for driving high-quality, efficient care. The experience of those at the forefront of these innovative efforts will help the Subcommittee as it considers how to better reimburse physician services.**”

FOCUS OF THE HEARING:

The hearing will focus on innovative delivery and physician payment system reform efforts.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

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Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “ Hearings.” Select the hearing for which you

would like to submit, and click on the link entitled, “ Click here to provide a submission for the record.” Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, May 26, 2011.** Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721 or (202) 225-3625.

FORMATTING REQUIREMENTS:

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The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All

exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://www.waysandmeans.house.gov/>.