

FOR IMMEDIATE RELEASE

May 10, 2013

Contact: Sean Neary/Meaghan Smith (Baucus), 202-224-4515

Antonia Ferrier/Julia Lawless (Hatch), 202-224-4515

**BAUCUS, HATCH CALL ON HEALTH CARE PROVIDERS TO PITCH IN AND PROVIDE
IDEAS TO IMPROVE MEDICARE PHYSICIAN PAYMENT SYSTEM**

*Finance Leaders Work to Protect Seniors' Access to Care During Transition to New Medicare
Payment Models*

WASHINGTON – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Orrin Hatch (R-Utah) today called on health care physicians and other providers from across the country to bring ideas to the table on how to improve Medicare's physician payment system. In a sharply-worded letter to health care providers, the senators called the current Medicare payment system "broken" and said it was time to repeal the flawed formula and end the annual "doc fix" ritual.

"The current Medicare physician payment system is inefficient and needs to go," Senator Baucus said. **"We need input from all the stakeholders as we move to an improved payment system. The key is to transition to a more efficient model in a way that safeguards seniors' access to high-quality care from their doctors. We can't do it alone -- we need health care providers to pitch in with their ideas for this process to go smoothly."**

"Almost every year now, seniors on Medicare and the doctors who serve them are left worrying whether their care will be in jeopardy if Congress doesn't pass a temporary fix to Medicare physician payment rates. This formula is fundamentally flawed and needs to be permanently fixed," said Senator Hatch. **"Working together and soliciting input in an open and transparent way from across the health care community, I'm confident Chairman Baucus and I can find a reasonable path forward that puts physician payments on a sustainable footing for now and the future. That is the certainty that our seniors rightly deserve."**

The current fee-for-service (FFS) payment system, which dictates annual payment updates based on a formula called the sustainable growth rate (SGR), threatens a 25 percent reduction in physician reimbursements in 2014 that could severely limit seniors' access to health care. The senators are working to permanently repeal the SGR and make improvements to the current system as physicians transition to alternative payment models over time that promote efficiency and reward care based on quality and value, rather than volume.

Senators Baucus and Hatch are urging health care providers to take a more active role in framing how to improve the current system and help physicians transition to new payment models.

In a letter to stakeholders, the senators are seeking responses to three questions:

1. What specific reforms should be made to the physician fee schedule to ensure that physician services are valued appropriately?
2. What specific policies should be implemented that could co-exist with the current FFS physician payment system and would identify and reduce unnecessary utilization to improve health and reduce Medicare spending growth?
3. Within the context of the current FFS system, how specifically can Medicare most effectively incentivize physician practices to undertake the structural, behavioral and other changes needed to participate in alternative payment models?

The full letter is available below.

May 10, 2013

Dear Health Care Provider Community,

The broken Medicare physician sustainable growth rate (SGR) formula must be repealed. Every year the reductions dictated by the SGR formula lead physicians and other health care providers to fear dramatic cuts to their Medicare payments. In 2014, physicians will face a 25 percent payment reduction under this formula. While Congress has intervened each year to prevent these cuts, it is time to repeal this flawed formula and end the annual “doc fix” ritual. The annual uncertainty generated by potential cuts is not fair to physicians and other providers, but most importantly it is not fair to our seniors who need access to their caregivers.

Last year, the Senate Finance Committee (the Committee) engaged the health care community on physician payment reform through various meetings and round table discussions with experts and stakeholders. This year, physician payment reform and SGR repeal remain a top priority for the Committee. Both of us are committed to seeking a permanent solution that will address the SGR and Medicare physician payment reform. We seek input from health care providers to help us reach this objective.

Our ultimate goal is for Medicare to pay physicians and other health care providers in a way that results in high quality, affordable care for seniors. We support identifying alternative models, including those being currently tested, with a clear recognition that these will take time to develop and scale. To facilitate the transition to new models, the American Taxpayer Relief Act of 2012 contained provisions to encourage the development and use of provider-led clinical data registries and the sharing of timely performance data with physicians.

While the ultimate end is new payment models, we recognize that the current fee-for-service (FFS) system will continue to be the standard in the short term and, for certain physician practices, for the longer term as well. A key finding of last year's stakeholder discussion is that we should address the underlying fee schedule and FFS system in any permanent reform to physician payment. We must improve the current system to ensure that it makes appropriate payments for physician services, reduces unnecessary utilization, and improves quality while also easing the transition to new payment models.

It is imperative that there be a robust quality component to both the current and future payment systems. We recognize the recent efforts in the House of Representatives to seek community input on quality initiatives, and we thank the groups that have provided their views on this important topic. In an effort to avoid duplication with the input being sought by others, we are using this opportunity to focus input from stakeholders on policies that specifically affect the Medicare physician fee schedule and FFS system:

1. MedPAC and others have suggested changes they believe would improve the accuracy of fee schedule payment amounts and the validity of resource inputs used to establish payments for services under the fee schedule. What specific reforms should be made to the physician fee schedule to ensure that physician services are valued appropriately?
2. Physician services are critical to the ongoing health of Medicare beneficiaries. Appropriate utilization of physician services can lessen disease burden and reduce avoidable emergency department visits and hospitalizations. However, inappropriate or excessive utilization of physician-related services can negatively impact beneficiary health and drive up Medicare spending. Volume control mechanisms are not an inherent component of a FFS system. The SGR was intended to address excessive volume, but its mechanism is fatally flawed. What specific policies should be implemented that could co-exist with the current FFS physician payment system and would identify and reduce unnecessary utilization to improve health and reduce Medicare spending growth?
3. Shifting from a FFS system to an alternative payment model will be a major change for many physicians. Within the context of the current FFS system, how specifically can Medicare most

effectively incentivize physician practices to undertake the structural, behavioral, and other changes needed to participate in alternative payment models?

The Committee invites input from the provider community and other key stakeholders as we develop a more viable alternative to the SGR that will provide stability for physician reimbursement and lay the necessary foundation for a performance-based payment system. Comments containing specific suggestions will be of the most value to the Committee as we continue to work on physician payment reform.

Please submit responses to the SGR comments mailbox at sgrcomments@finance.senate.gov by May 31, 2013. If you have questions regarding this request, please contact [redacted] at 202-224-4515.

Sincerely,

Max Baucus
Chairman, Senate Committee on Finance

Orrin Hatch
Ranking Member, Senate Committee on Finance

###