February 26, 2012

The Honorable Dave Camp
Chairman
House Ways & Means Committee
Washington, D.C. 20515

The Honorable Fred Upton
Chairman
House Energy & Commerce Committee
Washington, D.C. 20515

The Honorable Kevin Brady
Chairman
Ways & Means, Health Subcommittee
Washington, D.C. 20515

The Honorable Joseph Pitts
Chairman
Energy & Commerce, Health Subcommittee
Washington, D.C. 20515

Dear Representatives Camp, Upton, Brady, and Pitts:

We commend your commitment to reforming the Medicare physician reimbursement system and we welcome the opportunity to provide comment on the framework developed by the U.S. House Committee on Ways & Means and the House Energy & Commerce Committee. The Sustainable Growth Rate (SGR) formula in current law to determine annual physician payment updates is fundamentally flawed, and we agree that permanent changes to this system are long overdue.

For the last ten years, Congress has acted annually to avert dramatic cuts to Medicare physicians demanded by the SGR formula—the so-called "doc fix." This dynamic creates significant stress for physicians, but also for beneficiaries who express heightened concern about maintaining access to doctors. A proposal to repeal and replace the SGR must eliminate these problems. In its stead, a new payment structure should be designed to gradually shift from a volume-based to a value-based model. We are pleased to see these principles reflected in the Committees' framework.

Beneficiaries and their families have a significant stake in proposed reforms to Medicare physician reimbursements. We urge you to adopt the following standards as part of your efforts:

**Protect people with Medicare from cost-shifting.** A legislative proposal to repeal or replace the SGR must not be paid for by shifting costs to Medicare beneficiaries, most of whom cannot afford to pay more. Half of all Medicare beneficiaries — nearly 25 million seniors and people with disabilities —live on annual incomes of $22,000 or less. On average, Medicare households spend 15% of their total household income on health care costs, three times as much as non-Medicare households.

In addition, given that beneficiary premiums and cost-sharing rise when physician payments increase, a long-term solution must hold beneficiaries harmless from significant physician payment adjustments. Physician payments must ensure access to care without imposing additional costs on beneficiaries. To accomplish this, a new system must reduce any overpayments, compensate for quality care and provide incentives to provide the right quantity of services in the correct setting.

**Extend permanent fixes to critical Medicare benefits.** Averting steep cuts to physician payments is not the only Medicare policy revisited on an annual basis. Congress regularly acts to maintain Medicare benefits critical to the health and economic needs of chronically ill, low-and moderate-income beneficiaries. This annual uncertainty leads to stress and health care delivery problems for beneficiaries and providers alike. Repeal and replacement of the SGR must also provide on-going and stable access to these benefits.

To this end, we urge you to repeal the annual Medicare therapy caps. At a minimum, if this cannot be done, we ask that the exceptions process, typically enacted as part of the "doc fix," for those who reach the cap be made permanent. The exceptions process offers the possibility of continued access to critical, medically necessary therapy, which allows beneficiaries to function with maximum independence and dignity.

Further, we ask you to make permanent the Qualified Individual (QI) program. The QI benefit pays Medicare Part B premiums for individuals with incomes that are 120% to 135% of the federal poverty level, amounting to about $13,800 to $15,500 per year. This benefit is essential to the financial stability of this vulnerable population.

**Involve the beneficiary community.** The provided framework explicitly acknowledges involvement by the physician community and other stakeholders as new payment systems are developed. We urge you to include the beneficiary community among this cohort, including people with Medicare, family caregivers and their advocates.

**Strengthen primary care.** A proposal to modernize the physician fee schedule must balance payments across primary care and specialty services. Volume and intensity of services must be taken into account as factors in determining how physicians and other practitioners are reimbursed.

In addition, an SGR replacement package must update payments for primary care, care coordination and preventive services for people with Medicare. We also encourage you to build on promising practices, such as Patient Centered Medical Homes (PCMH) and Accountable Care Organizations (ACOs), as you develop models to enhance quality of care. Lessons learned from pilots already underway through the Centers for Medicare & Medicaid Innovation (CMMI) should shape payment reforms.

**Ensure rigorous oversight and measurement.** We appreciate that your framework acknowledges that quality measures are fundamental to SGR replacement. We urge you to look to independent

entities, rather than relying solely on medical societies, to develop the tools needed to ensure the appropriate evaluation of tested delivery system and payment reforms.

We are heartened by the momentum among lawmakers to address long-standing flaws with the Medicare physician reimbursement system. With regard to the complementary policies noted in your framework, we strongly suggest that you visit these policies apart from a proposal to repeal and replace the SGR. We ask that you solicit separate comment on these issues. Thank you for the opportunity to weigh in on the framework.

Sincerely,

Joe Baker
President
Medicare Rights Center

Judith A. Stein
Executive Director
Center for Medicare Advocacy, Inc.