

October 15, 2012

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

The Honorable Orrin Hatch  
Ranking Member  
Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Baucus and Senator Hatch:

The United States health care system is in the midst of profound change, and we now have a unique opportunity to improve and restructure how we deliver and pay for care in this country. Many ground-breaking innovations, including many led by physicians, are already underway in Medicare and the private sector that can guide the development of a new and improved Medicare physician payment system. These models include patient-centered medical homes, accountable care organizations, an array of approaches to bundled payments and shared savings arrangements as well as new initiatives designed by regional health improvement collaboratives.

The sustainable growth rate (SGR) formula is an enormous impediment to successful health care delivery and payment reforms that can improve the quality of patient care while lowering growth in costs. Physicians facing the constant specter of severe cuts under the SGR cannot invest their time, energy, and resources in care re-design. The first step in moving to a higher performing Medicare program must be the elimination of the SGR formula. The status quo is bad for patients, physicians, and taxpayers.

Physicians face yet another steep payment cut of 27 percent on January 1, 2013. For more than a decade, average payment rates under the SGR have remained stagnant and today are barely higher than their 2001 levels. Each year, patient access to care is eroded because the threat of steep physician payment cuts and last-minute congressional action to avoid these cuts create an environment where new Medicare patients have difficulty securing physician appointments. Congress must stop this vicious cycle now so that a transitional framework can be put in place that will provide some stability and predictability for seniors and physicians, along with needed delivery innovations.

**Although the SGR must be eliminated, the physician community recognizes that this is only one-half of the equation. Therefore, the undersigned organizations have developed the attached principles and core elements that can form the basis for new federal policy on a transition from the SGR to a higher performing Medicare program.**

New payment models are needed that can offer physicians opportunities and allow them to lead changes in care delivery while being rewarded for improving the quality of patient care and lowering the rate of growth in costs. Currently, physicians who want to improve

care can face major hurdles, as those who lower total health care costs through delivery improvements are not rewarded and may actually lose revenue.

Further, these physician-led, patient-centered models must be developed and implemented during a defined and robust transition period that can fill in the gap between elimination of the SGR formula and implementation of a new system nationwide. Physician practices of every size and specialty must be supported and encouraged to develop the needed infrastructure and begin adopting the most appropriate model for their patients and their practice.

The undersigned organizations look forward to working with Congress to develop and implement policies to improve the Medicare program. We offer the attached principles and core elements as a foundation for a new system that supports physicians in improving the delivery of care with payment options that are good for patients, physicians, and the Medicare program overall.

Sincerely,

American Medical Association  
AMDA – Dedicated to Long Term Care Medicine™  
American Academy of Dermatology Association  
American Academy of Family Physicians  
American Academy of Home Care Physicians  
American Academy of Hospice and Palliative Medicine  
American Academy of Ophthalmology  
American Academy of Otolaryngology—Head and Neck Surgery  
American Academy of Pain Medicine  
American Academy of Physical Medicine & Rehabilitation  
American Academy of Urgent Care Medicine  
American Academy of Neurology  
American Association of Clinical Endocrinologists  
American Association of Neurological Surgeons  
American Association of Orthopaedic Surgeons  
American College of Cardiology  
American College of Chest Physicians  
American College of Emergency Physicians  
American College of Gastroenterology  
American College of Osteopathic Family Physicians  
American College of Osteopathic Internists  
American College of Osteopathic Surgeons  
American College of Phlebology  
American College of Physicians  
American College of Radiology  
American College of Rheumatology  
American College of Surgeons

American Congress of Obstetricians and Gynecologists  
 American Gastroenterological Association  
 American Osteopathic Academy of Orthopedics  
 American Osteopathic Association  
 American Psychiatric Association  
 American Society for Clinical Pathology  
 American Society for Dermatologic Surgery Association  
 American Society for Gastrointestinal Endoscopy  
 American Society for Radiation Oncology  
 American Society of Anesthesiologists  
 American Society of Cataract and Refractive Surgery  
 American Society of Clinical Oncology  
 American Society of Hematology  
 American Society of Neuroradiology  
 American Society of Nuclear Cardiology  
 American Society of Plastic Surgeons  
 American Society of Transplant Surgeons  
 American Thoracic Society  
 American Urological Association  
 Association of American Medical Colleges  
 College of American Pathologists  
 Congress of Neurological Surgeons  
 Heart Rhythm Society  
 Infectious Diseases Society of America  
 International Society for the Advancement of Spine Surgery  
 International Spine Intervention Society  
 Joint Council on Allergy, Asthma and Immunology  
 Medical Group Management Association  
 National Medical Association  
 North American Spine Society  
 Renal Physicians Association  
 Society of Critical Care Medicine  
 Society of Gynecologic Oncology  
 Society of Interventional Radiology  
 Society of Thoracic Surgeons  
 The Endocrine Society

Medical Association of the State of Alabama  
 Arizona Medical Association  
 Arkansas Medical Society  
 California Medical Association  
 Colorado Medical Society  
 Connecticut State Medical Society  
 Medical Society of Delaware  
 Medical Society of the District of Columbia  
 Florida Medical Association Inc

Medical Association of Georgia  
Hawaii Medical Association  
Idaho Medical Association  
Illinois State Medical Society  
Indiana State Medical Association  
Iowa Medical Society  
Kansas Medical Society  
Kentucky Medical Association  
Louisiana State Medical Society  
Maine Medical Association  
MedChi, The Maryland State Medical Society  
Massachusetts Medical Society  
Michigan State Medical Society  
Minnesota Medical Association  
Mississippi State Medical Association  
Missouri State Medical Association  
Montana Medical Association  
Nebraska Medical Association  
Nevada State Medical Association  
New Hampshire Medical Society  
New Mexico Medical Society  
North Carolina Medical Society  
North Dakota Medical Association  
Ohio State Medical Association  
Oklahoma State Medical Association  
Oregon Medical Association  
Pennsylvania Medical Society  
Rhode Island Medical Society  
South Carolina Medical Association  
South Dakota State Medical Association  
Tennessee Medical Association  
Texas Medical Association  
Utah Medical Association  
Vermont Medical Society  
Medical Society of Virginia  
Washington State Medical Association  
West Virginia State Medical Association  
Wisconsin Medical Society  
Wyoming Medical Society

Attachment

cc: Senate Finance Committee

## **Transitioning from the SGR to a High Performing Medicare Program DRIVING PRINCIPLES AND CORE ELEMENTS**

Eliminating the SGR formula is essential to developing a high performing Medicare program. In conjunction with SGR repeal, the following driving principles can provide a foundation for a transition plan that organized medicine can support:

- Successful delivery reform is an essential foundation for transitioning to a high performing Medicare program that provides patient choice and meets the health care needs of a diverse patient population.
- The Medicare program must invest and support physician infrastructure that provides the platform for delivery and payment reform.
- Medicare payment updates should reflect costs of providing services as well as efforts and progress on quality improvements and managing costs.

The transition plan must include core elements that:

- Reflect the diversity of physician practices and provide opportunities for physicians to choose payment models that work for their patients, practice, specialty and region;
- Encourage incremental changes with positive incentives and rewards during a defined timetable, instead of using penalties to order abrupt changes in care delivery; and
- Provide a way to measure progress and show policymakers that physicians are taking accountability for quality and costs;

In addition, the plan needs to be structured in a way that will:

- Reward physicians for savings achieved across the health care spectrum;
- Enhance prospects for physicians adopting new models to achieve positive updates;
- Tie incentives to physicians' own actions, not the actions of others or factors beyond their influence;
- Enhance prospects to harmonize measures and alter incentives in current law;
- Encourage systems of care, regional collaborative efforts, primary care and specialist cooperation while preserving patient choice;
- Allow specialty and state society initiatives to be credited as delivery improvements (deeming authority) and recognize the central role of the profession in determining and measuring quality; and

- Provide exemptions and alternative pathways for physicians in practice situations in which making or recovering the investments that may be needed to reform care delivery would constitute a hardship.