



AMERICAN COLLEGE OF PHYSICIANS
INTERNAL MEDICINE | *Doctors for Adults*®

March 27, 2009

The Honorable Kent Conrad
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Chairman Conrad:

I am writing on behalf of the American College of Physicians (ACP), representing 126,000 internal medicine physicians and medical student members. ACP is the nation's largest medical specialty society and its second largest physician membership organization. The College appreciates your leadership in outlining parameters for comprehensive health care reform in the FY 2010 budget resolution approved yesterday by the Senate Committee on the Budget and your support for payment reforms that recognize the need for an adequate primary care workforce.

With rising health care costs posing the single greatest fiscal challenge to the United States (CBO), ACP believes that measures to improve the health care delivery system are essential to restoring the fiscal health of the United States. Not only will they provide short-term benefit to the American economy, they will have much longer lasting benefit to the economy by making health care more affordable to individuals, businesses and taxpayers.

The College appreciates the language in the Medicare improvements reserve fund to "encourage physicians to train in primary care residencies and ensure an adequate supply of residents and physicians." We strongly recommend, though, that the final joint resolution adopted by the House and Senate include a *current policy* reserve fund for physician payment reform, as reported out of the House Committee on the Budget, including the language to "ensure primary care receives appropriate compensation." The current policy reserve fund, as proposed in the House version, would account for the costs of preventing scheduled Medicare cuts from the flawed sustainable growth rate (SGR) in the Medicare baseline and also allow Congress to fund increased payments to primary care physicians and make other improvements in Medicare payment policies.

Strengthening the foundation of the primary care workforce at the same time as increasing payments to primary care physicians will help ensure a high performing health care system. Over 100 studies, over the past two decades, show that primary care consistently is associated with better outcomes and lower costs of care, including lower Medicare per capita expenditures. To illustrate:

- An increase of 1 primary care physician per 10,000 persons in a state was associated with a reduction in overall spending by \$684 per Medicare beneficiary. [Baicker and Chandra, Health Affairs, 2004].
- Medicare treatments for the 6 percent of beneficiaries who die each year comprise almost 30 percent of Medicare expenditures. More primary care visits in the preceding year were associated with fewer hospital days at the end of life and lower costs. [Kronman, Ash, et al. Gen. Intern. Med. 2008]

- Increased proportions of primary care physicians across all U.S. counties was associated with 5.5 percent fewer hospital admissions, 5 percent fewer outpatient visits, 10.9% fewer emergency department visits, and 7.2 percent fewer surgeries. [Kravet, Shore, et al. Am. J Med, 2008].

While the College appreciates that the Senate budget resolution recognizes a need to reform the current Medicare payment formula, we believe that a full accounting of the funds needed to reform the SGR formula would remove the greatest single barrier to reaching a consensus on a long-term solution to the SGR payment cuts. As we understand it, the House version would allow the budget to account for the costs of halting the SGR cuts in the baseline Medicare budget, and, unlike the Senate language, would not require that these costs be subjected to budget neutrality offsets.

As you are aware, on January 1, 2010 physicians face a 21 percent Medicare payment reduction unless Congress intervenes to avert this cut. This uncertainty in Medicare reimbursement rates makes it nearly impossible for physicians to plan their budgets for their practices. Decisions by past Congresses and the previous administration to enact short-term "patches" to avert SGR cuts, funded in part by unrealistic assumptions of even deeper SGR cuts in future years, have resulted in an accumulated SGR deficit of hundreds of billions of dollars and masked the real costs of averting the SGR cuts.

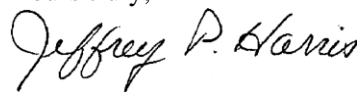
We respectfully ask you to accept the House current policy reserve fund to allow for the costs of stopping the SGR cuts, improving payments for primary care, and aligning payment policies to support care coordination and effectiveness of care, to be incorporated into the Medicare baseline without requiring budget neutrality offsets.

Additionally, **we are pleased with the inclusion of a reserve fund to transform and modernize America's health care system**, and the eight principles for health reform outlined in the President's budget and in the Senate language. The College fully supports the outlined principles, and has a long-standing commitment to making affordable health insurance coverage available to all Americans.

We recommend, though, that the health reform reserve fund allow for enactment of necessary reforms--such as investments in wellness and prevention, increased compensation for primary care, the use of health information technology and testing of innovative physician payment reforms--that may not achieve immediate and "scoreable" budget savings within the normal ten year budget window, but have enormous potential to bring long-term benefit in improving the quality, effectiveness and efficiency of care provided.

The College commends you for your support of primary care and looks forward to working with you on advancing a budget that lays the groundwork for comprehensive reforms to guarantee health coverage, replace the flawed Medicare update formula, reform physician payments, and recognize the contributions of the primary care workforce.

Yours truly,



Jeffrey P. Harris, MD, FACP
President