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

December 17, 2012

The Honorable John Boehner
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Sir and Madame:

The American College of Physicians (ACP), representing 133,000 internal medicine physician specialists and medical student members, urges Congress to reach an agreement to prevent the nearly 30% Medicare physician payment cut that will occur after January 1; to establish a framework for a comprehensive, permanent physician payment reform solution; and to prevent across-the-board cuts (sequestration) in other programs that are essential to the health and safety of the American people.

Legislation to create a permanent solution to the endless cycle of Medicare physician payment cuts is especially timely and critical, since there is no plausible route to entitlement reform that does not include full repeal of the Medicare sustainable growth rate (SGR) formula. The Medicare SGR formula acts as the greatest single barrier to transition to new approaches and to develop new payment and delivery models aligned with value to patients. Congress has a unique opportunity now, in the context of discussions on the "fiscal cliff" and entitlement reform, to create a clear timetable and policy direction, resulting in permanent SGR repeal no later than next year, accompanied by a transition to value-based payment and delivery system reforms.

Specifically, we urge agreement on a plan to:

- **Prevent the nearly 30% cut in Medicare payments to services provided by physicians that will occur after the first of the year--resulting from sequestration and the SGR formula--AND create a legislative pathway and timetable for permanent repeal of the SGR and transition to value-based payment and delivery models.** While ACP cannot support another short-term SGR patch, and while our strong preference is for Congress to enact legislation *now* to repeal the SGR, we would support the following three-step process, as described in more detail in the attached framework document, that would result in a permanent replacement to the SGR:

  Step 1: Enact legislation ***now*** to stop the scheduled Medicare cut on January 1 that would also ***provide direction to the authorizing committees on a policy framework, process, and timetable to report comprehensive legislation to repeal the SGR and transition to value-based payments;*** followed by,

  Step 2: Early 2013: authorizing committees would hold hearings, consult with physician membership groups and other stakeholders, and report legislation, ***no later than June 30, 2013,*** consistent with the policy directions required by step 1 and summarized in more detail in the attached framework document.

  Step 3: No later than September 30, 2013, Congress enacts comprehensive payment and delivery system reform legislation, based on the bill(s) reported out of the authorizing committees in step 2, to achieve full SGR repeal and to establish a framework of positive incentives for physicians to transition to value-based payment models.

Unlike another patch, this proposed three-step process would, for the first time, result in a real, bipartisan agreement on an approach and timetable that would *finally* get rid of the SGR, once and for all, and with it, the prospect of scheduled payment cuts that get larger (and more costly to offset) each year, while at the same time advancing real payment reform aligned with value to patients.

- **Preserve funding for programs to increase Medicaid and Medicare payments for undervalued primary care services.** Starting on January 1 and continuing through 2014, Medicaid programs will pay no less than the Medicare rates for evaluation and management services and vaccine administration by primary care physicians and some medical specialists. This program is absolutely needed to increase physician participation in Medicaid, both for states' current Medicaid enrollees as well as the millions more who will become eligible for Medicaid in 2014 in states that agree to accept federal funding to expand Medicaid. Similarly, the existing Medicare primary care bonus program, which began in 2011 and will continue through 2015, requires Medicare to pay a 10% bonus payment for evaluation and management services provided by primary care physicians, and is critical to ensuring that Medicare patients have access to primary care physicians. ACP will oppose any legislation to use the funding for these programs as budget offsets to the SGR or sequestration.

- Preserve Medicare funding for graduate medical education (GME) and prevent the 2% scheduled (sequestration) cut in GME funding. The United States is facing a severe and growing shortage of physicians in many specialties, including in primary care internal medicine and in many internal medicine subspecialties. Cuts in GME funding will exacerbate the existing projected shortages, resulting in growing access problems and higher costs of care associated with having too few primary care physicians.

- Prevent the sequestration cuts and ensure sufficient funding for disease control and prevention (the Centers for Disease Control and Prevention), medical and health services research (the National Institutes for Health and the Agency for Healthcare Research and Quality), food and drug safety (the Food and Drug Administration), and workforce and public health programs (the Health Resources and Services Administration and the National Health Services Corps). Sequestration would have a devastating impact on these and other programs that are essential to public health and safety.

ACP recognizes that there is an urgent need to reduce the federal budget deficit, and specifically, federal spending on health care in a fiscally- and socially- responsible way. We have already http://www.acponline.org/advocacy/where_we_stand/medicare/super_comm_menu.pdf provided Congress with recommendations to achieve hundreds of billions in savings by targeting the real cost-drivers in medicine, including over-use of tests and procedures with marginal or no benefit to patients driven in part by physicians' fear of malpractice lawsuits, as well as by making necessary changes in entitlement programs and health care tax policies.

In conclusion, we urge you to reach agreement on legislation to: prevent the across-the-board sequestration cuts in critically important health programs, and especially, the nearly 30% Medicare payment cut to physicians; establish a pathway and timetable to eliminate the SGR and create positive incentives for physicians to transition to value-based payments; preserve programs to improve Medicaid and Medicare payments for primary care and GME funding to address the growing shortage of primary care physicians and in many other specialties; and to achieve savings in health care spending by addressing the real drivers of excess cost.

Yours truly,

David L. Bronson, MD, FACP
President

Attachment

ACP American College of Physicians℠
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Proposed Framework to Stop Scheduled Medicare Physician Payment Cuts, Repeal the SGR, and Transition to Value-based Models

December 17, 2012

Goal: ***Create a process, timetable and policy direction now to produce legislation to eliminate the sustainable growth rate (SGR) formula, stabilize payments, and create positive incentives for physicians to transition to new payment models***.

The American College of Physicians (ACP) believes that it is urgent to eliminate the pending cut of nearly 30% in Medicare physician payments that will occur after the first of next year, but ACP does not support another stop-gap approach that only postpones the cut without advancing an approach that will lead to a permanent solution. Our strong preference is for Congress to enact legislation *now*, before the end of the year, resulting in full SGR repeal and a framework for transition to value-based payment models. Recognizing that there are few legislative days left, though, to reach agreement on a permanent, comprehensive legislative solution, ACP offers the following three-step conceptual approach to accomplishing the same goal:

Step 1: ***Enact legislation now to stop the scheduled Medicare cut on January 1 that would also provide direction to the authorizing committees on a policy framework, process, and timetable to report comprehensive legislation to repeal the SGR and transition to value-based payments, based on the legislative specifications described below;*** followed by,

Step 2: First quarter, 2013: authorizing committees hold hearings, consult with physician membership groups and other stakeholders, and ***report comprehensive payment reform legislation, no later than June 30, 2013, consistent with the policy directions required by step 1 and summarized in more detail in the legislative specifications described below.***

Step 3: ***No later than September 30, 2013, Congress enacts comprehensive payment and delivery system reform legislation, based on the bill(s) reported out of the authorizing committees in step 2, to achieve full SGR repeal and to establish a framework of positive incentives for physicians to transition to value-based payment models.***

Legislative Specifications

The legislation to be enacted now (step 1) should:

A. **Stop the nearly 30% cut by ensuring that the current Medicare conversion factor (annual update factor) not be cut at least through the end of 2013, followed by a positive update in 2014 to reflect increases in physicians' practice expenses at least through December 31, 2014.**
B. **Require the authorizing committees (with jurisdiction over Medicare) to report comprehensive physician payment reform legislation, no later than June 30, 2013, to (1) permanently sunset the SGR, (2) stabilize payments until the SGR is sunsetted, and (3) provide positive incentives during a transitional period to physicians who participate in approved quality improvement and/or new payment/delivery models.**
C. **Specifically, the instructions to the authorizing committees would direct them to report legislation consistent with the following framework:**
    - ***Repeal the SGR and Create a Transitional Period to Transition to New Models*: SGR required to sunset no later than December 31, 2013; stabilize payments during a transition period; provide positive annual updates during the transition period, with opportunity for higher value-based updates as described below.**
    - ***Breaking down silos*: Require the Department of Health and Human Services to modify Medicare payment rules so that any new payment and delivery models to be scaled up and evaluated during a transitional period should break down the silos between Medicare parts**

A, B, C, and D, thereby allowing physician payments to reflect savings in other parts of Medicare that are attributable to their participation in an approved transitional quality improvement and payment/delivery system reforms.

- ***During the transitional period, provide a higher payment floor for designated evaluation and management codes that currently are undervalued by Medicare.***
- ***Also during the transitional period,* provide higher updates for physicians who voluntarily participate in an approved transitional quality improvement program and/or an approved payment and delivery system reform model.**
- ***Approved transitional programs:* Specify an administrative process for designating the transitional models that would qualify for higher payments, in consultation with physician membership organizations including national medical specialty societies, focusing on models (e.g. Patient-Centered Medical Homes, Patient-Centered Medical Home Neighbors, Accountable Care Organizations, bundled payments, and other models being pilot tested by the Center for Medicare and Medicaid Innovation) that are capable of being scaled up for broad participation as early as January 1, 2014; and must include a process for deeming quality improvement/registry programs by specialty and state societies to qualify physicians for higher transitional updates.**
- ***Alignment of reporting requirements:* Require the Secretary, by date certain (e.g. January 1, 2014), to develop rules to standardize to the extent possible the measures and reporting requirements and to minimize the burden of reporting for existing quality improvement programs (e.g. Physician Quality and Reporting System and Meaningful Use); create a process where participation in quality improvement modules of specialty boards would help meet the requirements for such programs.**
- ***Timeline for broad adoption of new models:* Specify date when most physicians would be expected to participate in an approved program, with hardship exemptions, longer transitions, and/or alternative pathways for physicians nearing retirement or have other circumstances that may make it unfeasible for them to participate in any of the approved new models.**
- ***The Medicare Physician Payment Innovation Act of 2012* (H.R. 5707), which ACP supports, is consistent with the above policy direction, and provides a framework that the authorizing committees should work from in developing and reporting out a comprehensive reform bill.**