

October 30, 2001

The Honorable George W. Bush
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

Unless Congress acts before this session ends, payments to physicians and other health care practitioners will fall by 4% to 5% next year. The Medicare Payment Advisory Commission (MedPAC) has called for the elimination of the current update formula and warned that cuts of the magnitude expected under this formula next year could “raise concerns about the adequacy of payments and beneficiary access to care.” **The more than one million health care professionals represented by the undersigned organizations agree and join in urging you to support immediate Congressional action to delay the 2002 update until permanent changes can be made in the formula.**

Medicare officials currently use a seriously flawed formula to calculate physician conversion factor updates which are supposed to take effect each January 1 and which apply to podiatrists, optometrists, physician assistants, therapists, and many other practitioners in addition to doctors of medicine and osteopathic medicine. This formula creates overall restrictions on aggregate Medicare spending and continues to apply faulty 1998 and 1999 data that has unfairly removed billions of dollars from the permitted spending target. The target is tied to the business cycle rather than patient needs and, despite 1999 legislation that attempted to stem volatility, large and unpredictable payment swings with potential cuts of more than 5% a year are still occurring.

Further, although Congress has attempted to build allowances for technological improvements into other payment systems, the target for physicians and other practitioners is not adjusted for technological improvements. Instead, expenditure increases stemming from technological advances simply go into the pool with all other physician/practitioner expenditures, thereby increasing the possibility that the target will be exceeded and that payments will be cut as a result.

The current expenditure target replaced an older one that was just as flawed and that also led to reductions in physician payments. **A cut next year would make the fourth time in 10 years that Medicare physician payment levels have been reduced.** During that time, physicians and other practitioners have been inundated with expensive new federal requirements associated with government’s efforts to eliminate billing errors, improve quality, ensure patient safety and provide culturally-sensitive care. **Yet Medicare payments between 1991 and 2001 rose by an average of just 1.7% a year or 13% less than practice costs.**

The gap between cost inflation and Medicare’s payment updates is already starting to take its toll and a negative update could greatly exacerbate the situation. **In the last year or so, access problems have been reported in Atlanta, Phoenix, Albuquerque, Annapolis, Denver, Austin, Spokane, northern California and Idaho.** Nearly 30% of family physicians are not

taking new Medicare patients and the number of physicians and practitioners with a Medicare billing number declined by 3.5% this year. We have been told that this drop is a mere matter of carriers cleaning out inactive numbers. However, even this interpretation suggests that some practitioners who used to treat Medicare patients no longer do.

Medicare cuts could lead to even bigger problems next year—especially in states where many other public and private payers tie their payment rates to Medicare's. At the same time, premiums for professional liability and other insurance are spiraling due to a number of factors including dramatic increases in the reinsurance market. This confluence of events will make it difficult for physicians to avoid laying off staff and limiting charity care at a time when the number of unemployed and uninsured Americans is expected to rise. It might also accelerate an increasing tendency among health care practitioners to retire, limit their hours or seek employment in non-clinical settings just as they reach their most productive middle years.

Experience has already shown the danger of unrealistic payment rates in Medicaid, where twenty years of studies have consistently concluded that fee levels affect both access and outcomes. Medicare is not immune from similar problems, as has been made abundantly clear by Medicare+Choice plans' continued exodus from the program despite a guaranteed pay increase of at least 2% a year. Some 85% of elderly and disabled Americans rely on fee-for-service Medicare and, for an ever increasing number, there is no other option available. **Please support the changes necessary to ensure that Medicare patients can continue to receive the care they depend on and deserve.**

Sincerely,

American Academy of Allergy, Asthma and Immunology
American Academy of Dermatology Association
American Academy of Facial Plastic and Reconstructive Surgery
American Academy of Family Physicians
American Academy of Neurology
American Academy of Ophthalmology
American Academy of Otolaryngic Allergy
American Academy of Otolaryngology – Head and Neck Surgery
American Academy of Physical Medicine and Rehabilitation
American Academy of Physician Assistants
American Academy of Sleep Medicine
American Association for Thoracic Surgery
American Association of Clinical Urologists
American Association of Clinical Endocrinologists
American Association of Neurological Surgeons
American Association of Orthopaedic Surgeons
American College of Allergy, Asthma and Immunology
American College of Cardiology
American College of Chest Physicians
American College of Emergency Physicians
American College of Nuclear Physicians

American College of Obstetricians and Gynecologists
American College of Osteopathic Emergency Physicians
American College of Osteopathic Family Physicians
American College of Osteopathic Surgeons
American College of Physicians-American Society of Internal Medicine
American College of Radiology
American College of Rheumatology
American College of Surgeons
American Gastroenterological Association
American Geriatrics Society
American Medical Association
American Medical Group Association
American Occupational Therapy Association
American Optometric Association
American Osteopathic Association
American Physical Therapy Association
American Podiatric Medical Association
American Psychiatric Association
American Society for Gastrointestinal Endoscopy
American Society for Therapeutic Radiology and Oncology
American Society of Anesthesiologists
American Society of Cataract and Refractive Surgery
American Society of Clinical Oncology
American Society of Clinical Pathologists
American Society of General Surgeons
American Society of Hematology
American Society of Interventional Pain Physicians
American Society of Plastic Surgeons
American Speech-Language-Hearing Association
American Thoracic Society
American Urological Association
Association of American Medical Colleges
College of American Pathologists
Congress of Neurological Surgeons
Infectious Diseases Society of America
Joint Council of Allergy, Asthma and Immunology
Medical Group Management Association
National Association for Medical Direction of Respiratory Care
National Medical Association
North American Society of Pacing and Electrophysiology
North American Spine Society
Renal Physicians Association
Society for Excellence in Eyecare
Society of Cardiovascular and Interventional Radiology
Society of Critical Care Medicine
Society of Diagnostic Medical Sonography

Society of General Internal Medicine
Society of Gynecologic Oncologists
Society of Nuclear Medicine
Society of Thoracic Surgeons
Society of Vascular Technology
The Endocrine Society