

May 14, 1998

The Honorable Ted Stevens  
United States Senate  
522 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Stevens:

The American Society of Internal Medicine (ASIM), representing the nation's largest medical specialty, is concerned that the Health Care Financing Administration (HCFA) is unable to meet its program operation obligations to beneficiaries and physicians because of inadequate funding. HCFA has initiated cost-cutting measures--including instructing its contractors to reduce the frequency in which they pay physicians and other providers--so that it is able to stay within its fiscal year (FY) 1998 program management budget. The Administration has also proposed imposing "user fees" on providers in its FY 1999 budget in order to generate revenue to fund next year's program operation functions. ASIM requests that Congress provide HCFA the funding necessary to carry out program operations, which encompasses processing over 800 million Medicare claims annually, so the Administration can discontinue its payment slowdown policy and rescind its user fee proposal.

ASIM recognizes that Congress has made a commitment to program integrity by including a separate and stable, long term funding mechanism for program integrity activities by establishing the Medicare Integrity Program (MIP) through the Health Insurance Portability and Accountability Act (HIPAA) of 1996. ASIM shares Congress' goal of eliminating Medicare fraud and abuse and supports adequate funding for reasonable and effective program integrity activities. Congress should also ensure that Medicare contractors are equipped to perform the less newsworthy, but equally essential program operation functions, however.

HCFA's January 9, 1998 program memorandum to its intermediaries and carriers advising them to make specific reductions in the FY 1998 Budget and Performance Requirements is an example of the dangers of inadequate funding. The memorandum instructs contractors to take actions that will "eliminate services that both the beneficiary and provider communities have come to expect from Medicare" so that HCFA can operate within its approved FY 1998 Medicare Contractor Program Management budget. Instructing contractors to discontinue valuable services--no longer mailing acknowledgments of voluntary refunds; not sending Medicare explanation of benefits (EOMBs) for claims with no beneficiary liability; not allowing providers to speak to carrier customer service representatives regarding claim status; and no longer sending providers payment on a timely basis--will impede Congress' goal of strengthening the Medicare program through increased program integrity funded by the MIP. HCFA cannot move forward by stepping back. Program operations and program integrity are complimentary--it is inappropriate to promote one at the detriment of the other.

Especially troubling is HCFA's directive to its contractors to slowdown payments to physicians and other providers. Physicians rely on Medicare to honor its debts in a timely manner. The public's confidence in the government is undermined if it fails to meet its obligations because it needs to save money. In fact, the practice of delaying payments sets a dangerous precedent that could be followed by other government agencies when facing budgetary problems or simply looking to save money.

ASIM also opposes the Administration's proposed "user fees" that are included in the President's FY 1999 budget. Not only is it unreasonable for physicians to fund Medicare operations that are the responsibility of the federal government, the user fee proposal threatens beneficiary access to health

care by penalizing physicians for treating Medicare patients. The initiation of a \$100 enrollment fee and a \$25 re-enrollment charge discourages physicians from participating in Medicare. Imposing a \$1.00 fee for each paper claim submitted is most likely to adversely affect physicians practicing in underserved areas that do not have the revenue to invest in electronic claims processing. A \$1.00 fee for each duplicate and unprocessable claim is inherently unfair in this era of complex, ever-changing Medicare rules that often result in carrier errors. In essence, these fees are tax increases on physicians and other health care providers. Does Congress really want to go on record as increasing taxes on those it is relying on to provide quality medical care to elderly patients?

ASIM recognizes that the additional responsibilities of implementing the relevant provisions of the Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 have severely strained HCFA's financial resources. ASIM urges Congress to adequately fund HCFA's program operations so it can fulfill its obligations to beneficiaries and providers. We also urge Congress to direct HCFA to rescind its January 9, 1998 program memorandum instructing contractors to reduce services to beneficiaries and physicians. At the same time, we urge Congress to oppose the Administration's proposal to impose new taxes--disguised as user fees--on physicians and other providers.

Sincerely,

Alan Nelson, MD  
Executive Vice President