

December 18, 2001

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

Also sent to Leadership of W&M, E&C, and Finance

Dear Mr. Chairman:

The undersigned health care practitioner organizations are writing to seek your help to pass H.R. 3351 and S. 1707, the "Medicare Physician Payment Fairness Act of 2001" immediately. This legislation is urgently needed to prevent a 5.4% cut in the physician fee schedule conversion factor (the update) from taking effect two weeks from now. This cut would affect all health care practitioners, including nurse practitioners, podiatrist, and therapists as well as doctors of medicine and osteopathy. It is the largest across-the-board Medicare payment cut since the Medicare fee schedule was developed a decade ago.

In your December 12, 2001 letter to Secretary Thompson and Administrator Scully, you outlined your concerns about the 2002 hospital outpatient PPS rate (PPS). The problems we seek to address in H.R. 3351/S. 1707 are very similar to those in the PPS; however, the update problem drastically impacts all Medicare services in all settings. Both systems are unworkable, beneficiary access to care is likely to be compromised, and the formulas used are based on bad data. Consequently, we ask that you also address the update problem this week.

Both the PPS system and the update are fatally flawed. The Medicare Payment Advisory Commission (MedPAC) concluded that the update "fails to account adequately for changes in the cost of services and that it is a poor mechanism for controlling spending." Accordingly, MedPAC has recommended replacing the current system.

Both the PPS system and the update jeopardize access to care. As your letter notes, access to outpatient services can be harmed by the Medicare system not paying enough for drugs and other technologies. Similarly, the update problem is likely to increase the number of health care practitioners who are retiring from the Medicare system. In rural America, in particular, these retirements could devastate local communities.

Both the PPS system and the fee schedule update are based upon bad data. The update includes major errors in calculations for 1998 and 1999 that have never been corrected. Unlike hospital outpatient payments, however, accurate data have been available for several years that could have been used to correct the physician fee schedule. These errors have effectively removed \$15 billion from the physician expenditure target to date. .

For these reasons and others, the undersigned organizations believe Congress should act now to prevent steep payment cuts from being imposed on January 1. We respectfully request your help in urging the House and Senate leadership to take up and pass H.R. 3351/S. 1707, the “Medicare Physician Payment Fairness Act of 2001” this week. On behalf of America’s health care professionals and the Medicare seniors they serve, thank you for your attention to this request.

Sincerely,

American Academy of Family Physicians
American Academy of Neurology
American Academy of Ophthalmology
American Academy of Physical Medicine and Rehabilitation
American Association for Thoracic Surgeons
American Association of Neurological Surgeons
American Association of Orthopaedic Surgeons
American College of Cardiology
American College of Chest Physicians
American College of Nurse Practitioners
American College of Obstetricians and Gynecologists
American College of Osteopathic Family Physicians
American College of Physicians-American Society of Internal Medicine
American Gastroenterological Association
American Geriatrics Society
American Medical Association
American Medical Group Association
American Osteopathic Association
American Podiatric Medical Association
American Society of Cataract and Refractive Surgery
American Society of Clinical Oncology
American Society of General Surgeons
American Society of Plastic Surgeons
American Thoracic Society
Congress of Neurological Surgeons
Joint Council of Allergy, Asthma and Immunology
Medical Group Management Association
National Association for Medical Direction of Respiratory Care
National Organization of Nurse Practitioner Faculties
North American Society of Pacing and Electrophysiology
Society of Thoracic Surgeons