

February 12, 1997

William J. Clinton

President of the United States

1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

On behalf of the American Society of Internal Medicine (ASIM), representing the nation's largest medical specialty, I am writing to express our support and appreciation for the administration's decision to include in the FY 1998 budget several proposals that are of particular interest to our members. We believe that the budget represents a good start for developing a consensus with Congress on ways to achieve a balanced budget and to restore the solvency of the Medicare Part A trust fund--while avoiding cuts that could endanger access and quality under the Medicare program.

Medicare Reforms Affecting "Providers"

ASIM appreciates the administration's recognition that since expenditure growth on physician services is already so low (projected to grow by only 2.6% per year on average for the next ten years, according to the Congressional Budget Office's latest "baseline" projections), spending reductions should be targeted to higher growth categories. We commend the administration for proposing that a single conversion factor for the Medicare fee schedule be implemented on January 1, 1998, and for proposing that the single conversion factor be set at a level that is no less than the current primary care conversion factor, increased by the Medicare economic index. Enactment of a single CF will *finally* result in physician services that involve the same amount of work being paid at the same rates.

We also agree that a single sustainable growth rate (SGR) based on per capita GDP, plus an additional allowance for volume and intensity, is far preferable to the current separate volume performance standards. The current VPS formula not only has resulted in separate updates and therefore separate conversion factors for surgical procedures, primary care services, and other nonsurgical services, but it also requires that physicians reduce volume by 4 percent per year below the average for the prior five years--a target that is impossible to meet. The result is that physician fee schedule updates are projected by the CBO to be the only category of services that will decline, in both real and nominal terms, over the next decade.

Although a single sustainable growth rate would be better than the current VPS formula, ASIM is concerned that the proposed 1 percent add-on for volume and intensity is too low. We believe that a sustainable growth rate of per capita GDP plus *two* percent is the minimum that should be required; anything less than that will likely mean that physicians will not have a reasonable opportunity to earn Medicare fee schedule updates that keep pace with inflation.

Preventive Services and Vaccinations

We commend the administration for its proposals to expand Medicare coverage of preventive services and to increase payments for flu shots. Coverage of services that will *prevent* or allow for early detection of diseases not only will improve health care for the elderly, but may save Medicare money as well. Adequate payments for the costs incurred by physicians in providing influenza, pneumococcal, and hepatitis B vaccinations will encourage more physicians to provide those shots in the office, which could significantly increase the number of elderly persons who are inoculated against potentially life-threatening diseases.

Other Medicare Reforms

ASIM supports the administration's proposals to expand choices of health plans, including offering beneficiaries the option of enrolling in provider-sponsored organizations (PSOs). Until more details are known about the requirements that would apply to PSOs, it's not possible for us to fully assess this proposal, however.

We support the administration's proposals to move towards an open enrollment period for Medicare HMOs and to provide comparative information to beneficiaries to enable them to make an informed choice of plan. ASIM believes that Congress should clarify that the comparative information should include disenrollment data, medical loss ratios, restrictions on access, and other pertinent information on the plan. Other consumer protections for beneficiaries who enroll in HMOs are also needed, such as improvements in the appeals process and requirements that physicians be involved in establishing utilization review, credentialing and other clinical standards. ASIM looks forward to working with the administration and Congress on expanding choice of plans while providing appropriate safeguards for beneficiaries.

ASIM urges the administration to be open to more far-reaching reforms in Medicare, including reforms that would move the program to a defined contribution program and that would require income-related financial contributions from beneficiaries. We believe that Congress and the administration should not limit your joint efforts to shoring up the Part A trust fund for a few more years, but should also work toward enactment of measures to keep Medicare solvent and affordable for the long term.

Expanding Access to Care

We are pleased that the administration is continuing its commitment to expanding access to care for the currently uninsured. The inclusion of measures to expand coverage to vulnerable populations is welcome. ASIM will be analyzing the specific recommendations included in your budget and will be prepared to share our suggestions with you and the Congress at a later date.

Other Provisions

There are several provisions in the budget that do give us some concern, however. We do not support the proposals to modify the fraud and abuse provisions enacted last year by Congress as part of the Health Insurance Portability and Affordability Act of 1996. Elimination of the "knowing and willful" standard for criminal convictions would increase the likelihood that physicians may unfairly be investigated and sanctioned for unintended mistakes and violations. Similarly, elimination of the requirement that HHS issue "advisory opinions" would make it more difficult for physicians to get the guidance they need to *prevent* unintended violations of the fraud and abuse laws.

There are several other provisions in your budget of interest to internists and their patients that we will be reviewing. ASIM will be pleased to share our comments and recommendations on these other provisions at a later date.

Conclusion

Let me conclude by stating again ASIM's strong support for the administrations' proposal to enact a single conversion factor for the Medicare fee schedule at a level equal to the primary care conversion factor plus inflation, for your understanding that outlays on physician services are already increasing so slowly that savings should be targeted to higher growth categories, for your support for expanded coverage of preventive services, for your efforts to reach consensus on reforms to keep Medicare solvent and affordable for both the long- and short-terms, and for your continued commitment to expanding coverage for the uninsured.

Please let us know how we can assist the administration in pursuing these important goals.

Sincerely,

Alan Nelson, MD
Executive Vice President

COPY:

Honorable Donna Shalala, Secretary, Health and Human Services
Bruce Vladeck, Administrator, Health Care Financing Administration