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american society of internal medicine

Sent to entire Senate
7/26/96

July 26, 1996

The Honorable Spencer Abraham
United States Senate
Washington, DC 20510

Dear Senator Abraham:

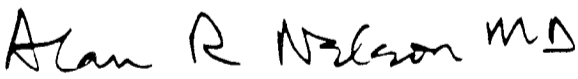
On behalf of the American Society of Internal Medicine, I am writing to urge you to oppose any legislation that may be introduced to delay implementation of long-overdue Medicare physician payment reforms that would base practice expense payments on resource costs.

In 1994, Congress mandated that the Health Care Financing Administration develop a resource based methodology for reimbursing physicians for their practice expenses, for implementation in 1998. Congress recognized that the current methodology has resulted in inequitable Medicare payments that have no rational relationship to actual differences in the costs of providing physician services. To illustrate, a primary care doctor would have to provide 115 mid-level office visits before receiving the amount of practice expense reimbursement that a surgeon receives for a single triple bypass graft in the hospital--even though Medicare is *already* paying the hospital under Part A for the nursing staff, equipment, supplies, operating room expenses, and the other direct costs it incurs for the surgical procedure. No such assumption of cost by the hospital or any other health care provider exists with regard to practice expenses borne by internists as they care for Medicare patients. At a time of severe fiscal constraints on Medicare, it makes absolutely no sense for the program to pay the hospital under Part A, and the surgeon under Part B for the *same* direct practice expenses incurred in providing a surgical procedure--while reimbursing primary care physicians at rates that barely cover overhead costs.

You may have heard from some surgeons who argue that HCFA needs more time to complete the study. The truth is that the agency is prepared to propose a methodology next Spring based on analyses of direct costs by Clinical Practice Expert Panels (CPEPs), as validated by HCFA, and on existing physician survey data on indirect costs. Although the results of one other physician survey will not be available until the Fall of 1997, this is no reason to delay implementation of long-overdue reforms beyond the congressionally mandated deadline of 1998. In fact, the existing surveys of indirect costs may produce more reliable data than the new survey, since the physicians completing the new survey are likely to be influenced by the strong economic incentive to justify exceedingly high practice expense payments for some surgical procedures.

It's time to deliver on the promise Congress made in 1989 when it enacted physician payment reform--and then reaffirmed again in 1994 when it enacted legislation to base practice expenses on resource costs to pay the same amount for physician services involving the same work and practice expenses. We ask for your help in opposing legislation to delay implementation of resource based practice expenses.

Sincerely,


Alan Nelson, MD
Executive Vice President

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