

June 6, 1997

The Honorable William M. Thomas
U.S House of Representatives
Washington, D.C. 20515

Dear Mr. Thomas:

On behalf of the undersigned organizations, we are writing to urge you to support a compromise on Medicare practice expense payments. The compromise would provide more time to improve the data and ease the impact on physicians who may be adversely affected by resource based payments--while still beginning the process in 1998 of improving payments for undervalued primary care services.

In 1994, Congress mandated that the Health Care Financing Administration (HCFA) implement resource-based practice expenses (RBPEs) on January 1, 1998. Congress' intent was to correct long-standing payments inequities that undervalue the practice expenses of office-based physicians, while overvaluing those of many surgical procedures. To illustrate, under the current methodology, a primary care physician would have to provide 115 office visits to obtain the practice expense reimbursement that Medicare allows for a single coronary bypass graft provided in the hospital, even though much of the overhead costs of the surgical procedure are borne by the hospital, not the surgeon.

HCFA released preliminary data in January that suggested that RBPEs would result in a substantial redistribution of dollars. Many physicians reacted to the preliminary data by urging Congress to delay implementation of RBPEs. Concerns were also expressed that the changes should be phased-in gradually so as to ease the impact on any physicians that may be adversely affected. In response to such concerns, the House Ways and Means committee is considering proposed Medicare budget reconciliation bill that would delay implementation of RBPEs for one-year, followed by a four year transition. Full implementation would not occur until 2002. The Health Care Financing Administration has announced support for a four year transition that would begin in 1998. The House Commerce Committee has not yet taken a position on this issue. The Senate Finance Committee also has not yet decided how it will address this issue, although we understand that it is considering a compromise that would begin to make improvements in payments for primary care services in 1998--while still allowing for a one-year delay and a transition.

Our organizations are willing to support such a compromise even though implementation in 1998 as specified by Congress in 1994 would be preferable. Primary care physicians are willing to agree to a one-year delay and a reasonable transition to RBPEs, *provided that* some incremental improvements are made in 1998 in payments for primary care services. We cannot support a delay and transition that would result in no improvements next year. We ask you to contact your colleagues on the Medicare authorizing committees and urge them to support a compromise that would:

Provide a one-year delay in implementation of the practice expense rule and a subsequent transition, which would result in full implementation no later than 2001 if it includes a "down payment" in 1998 that would begin to redistribute payments from clearly overvalued procedures done in the hospital to undervalued primary care services.

It is essential that Congress at least *begin* correcting the inequities that now exist in the way Medicare determines payments for practice expenses. This was the commitment that Congress made in 1994 and one that should continue to be honored. We strongly urge you work with your colleagues on the authorizing committees to get the best possible outcome in 1998 for primary care services.

Sincerely,

American Academy of Family Physicians
American Academy of Pediatrics
American Association of Clinical Endocrinologists

American Medical Directors Association
American Society of Internal Medicine
Renal Physicians Association

American College of Rheumatology