April 10, 1998

SENT TO SENATE FINANCE, HOUSE WAYS & MEANS, AND HOUSE COMMERCE COMMITTEES

Hon. Jim Bunning
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Bunning:

The undersigned organizations, representing a combined membership of approximately 300,000 physicians, physicians-in-training, and medical students, are writing to share with you our views on HCFA's efforts to develop resource-based practice expenses (RBPEs) for the Medicare fee schedule, consistent with the requirements of the Balanced Budget Act of 1998 (BBA). We strongly believe that HCFA's overall approach is a reasonable one; that it meets the requirements of the BBA; and that there is no practicable or better alternative. The General Accounting Office (GAO) agrees.

The BBA required that the General Accounting Office report to Congress on HCFA's data and methodology. In March 3 testimony to the Ways and Means health subcommittee, the GAO stated that "HCFA's general approach for collecting information on physicians' practice expenses was reasonable**."** Further, the GAO stated that "We explored alternative primary data-gathering approaches, such as mailing out surveys, using existing survey data, and gathering data on-site, and we concluded that each of those approaches has practical limitations that preclude their use as reasonable alternatives to HCFA's use of expert panels." The GAO made several recommendations for improvement in HCFA's original approach, but concluded "There is no need, however, for HCFA to abandon the work of the expert panels and start over using a different methodology; doing so would needlessly increase costs and further delay implementation of fee schedule revisions**."**

The GAO report should have ended the debate over whether or not a different methodology, which would result in further delay, is needed. Unfortunately, the Practice Expense Coalition (PEC), a group of surgical and some medical specialty organizations whose members have benefited from the current charge-based method for determining practice expenses, continues to urge HCFA to adopt a so-called cost-accounting methodology. In March 10 testimony to the Senate Appropriations Committee, the PEC testified that "we urge that even modest reallocations of payment not occur" in 1999 until HCFA has agreed to implement the PEC's alternative cost-accounting approach--the same kind of methodology that the GAO said would "needlessly increase costs" and "further delay implementation".

There should be no mistake about it. The PEC's "alternative" would delay any redistribution of payments from overvalued procedures to undervalued office visits and other primary care services. Further, the PEC proposes to use existing survey data to develop the new practice expense RVUs, survey data which is itself distorted by the fact that those specialties whose practice expenses have been overvalued by Medicare will therefore report higher total practice revenue--and higher net income and practice expenses--than physicians whose practice expenses have been undervalued by Medicare. Allocating payments based on such historical data would perpetuate the very inequities that Congress intended be corrected by RBPEs. By contrast, HCFA's methodology looks at the actual resources required to provide each procedure, without being biased by how much extra revenue and practice expense payments some specialties have obtained in the past because of the current unfair formula.

The PEC admits that its alternative is intended to delay even modest redistributions in 1999. But it will do more than that: it would permanently maintain the unfair advantage given to some services and specialties under the current charge-based formula. The one-year delay enacted last year by Congress is enough. As the GAO concluded, HCFA is on the right path in producing reasonable--and more fair--practice expense methodologies. Congress should not step in and direct HCFA to use an alternative that will preclude even modest improvements in payments for primary care and other office-based services in 1999--and even worse, lock in forever the inequities that RBPEs were supposed to correct.

American Academy of Family Physicians
American Academy of Pediatrics
American Osteopathic Association
American Society of Internal Medicine

American College of Physicians
American College of Rheumatology

Renal Physicians Association