

July 24, 2000

The Honorable Dennis Hastert

U.S. House of Representatives

Washington, D.C. 20515

Dear Speaker Hastert:

On behalf of the Practice Expense Fairness Coalition, which represents organizations with a combined membership of over 350,000 physicians, we are contacting you to (1) express our strong opposition to a proposal by the Halt2000 coalition to stop implementation of resource-based practice expense payments (RBPEs) this year as part of a Medicare giveback bill, and(2) offer an alternative that would address concerns about underfunding of physician services--while preserving the mandate that payments for physician services be based on the relative costs of each service, based on the best available data.--

The Balanced Budget Act of 1997—mandated that implementation of RBPEs be phased in over four years, to allow for methodological refinements during each year of the phase in, following a one year delay in implementation. The Halt 2000 proposal would undo this carefully-crafted compromise, there is no valid reason for undoing the work of Congress and going back to a flawed practice expense process by stopping the transition to RBPEs for all services, except office visits, at the current blend of 50% charge-based, and 50% resource-based, practice expenses. The 50% charge-based portion would perpetuate the inequities in payment that Congress resolved to end when it enacted the BBA 97 compromise. Even if a few office visit services were exempted from the halt, *the vast majority of physician services would continue to be paid in large part based on inaccurate historical charges, not on data on the costs of each service.*

Our coalition has a better alternative to Halt 2000. This alternative would address concerns about underfunding of physician services, due to past miscalculations of fee schedule updates, by mandating a 3% increase in the dollar conversion factor for the Medicare fee schedule. Unlike the Halt 2000 proposal, it would not abruptly withdraw support for the ongoing transition to a payment system that bases Medicare payments on the relative costs of each service, based on the best available data.

The General Accounting Office in February 1999 reported “*HCFA’s methodology uses what are generally recognized as the best available data on resource-based practice expense values*” (emphasis added). So the question is not if HCFA’s methodology is fundamentally flawed—the GAO clearly said that it was not.

The refinement process mandated by the BBA 97 is the way to get further improvements made in HCFA's data and methodology. In fact, HCFA's recently-published proposed rule on the CY 2001 fee schedule includes numerous changes that directly respond to concerns expressed about its data, including restoring payments for non-physician clinical staff costs for certain services done in the hospital and incorporating more recent survey data into practice expense calculations.

As Congress considers the Medicare giveback legislation, we urge you to support the Practice Expense Fairness Coalition's alternative proposal for a 3 percent increase in the dollar conversion factor for the Medicare fee schedule. Under our alternative, *every physician and every specialty would be better off than under current law. By contrast, under the Halt 2000 plan, some physicians would be worse off and others better off than under current law.* The 3 percent solution is simple and fair to all physicians. Further details are in the attachment. We strongly disagree.

Sincerely,

American Academy of Dermatology

American Academy of Family Physicians

American Academy of Pediatrics

American College of Physicians- American Society of Internal Medicine

American College of Rheumatology

American Osteopathic Association

Renal Physicians Association