



AMERICAN COLLEGE OF PHYSICIANS
INTERNAL MEDICINE | *Doctors for Adults*®

March 26, 2009

The Honorable John M. Spratt, Jr.
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Spratt:

I am writing on behalf of the American College of Physicians (ACP), representing 126,000 internal medicine physicians and medical student members. ACP is the nation's largest medical specialty society and its second largest physician membership organization. The College appreciates your leadership in outlining parameters for comprehensive health care reform in the FY 2010 budget resolution, and is especially pleased that the budget resolution approved yesterday by the Committee on the Budget allows for physician payment reforms that recognize the value of primary care and care coordination.

With rising health care costs posing the single greatest fiscal challenge to the United States (CBO), ACP believes that measures to improve the health care delivery system are essential to restoring the fiscal health of the United States. Not only will they provide short-term benefit to the American economy, they will have much longer lasting benefit to the economy by making health care more affordable to individuals, businesses and taxpayers.

The College is especially pleased that the resolution includes a policy reserve fund for Medicare improvements to "ensure that primary care receives appropriate compensation," as well as to "improve coordination of care among all providers serving a patient in all appropriate settings."

Increasing payments to primary care physicians will ensure the United States has a high performing health care system. Over 100 studies, over the past two decades, show that primary care consistently is associated with better outcomes and lower costs of care, including lower Medicare per capita expenditures. To illustrate:

- An increase of 1 primary care physician per 10,000 persons in a state was associated with a reduction in overall spending by \$684 per Medicare beneficiary. [Baicker and Chandra, Health Affairs, 2004].
- Medicare treatments for the 6 percent of beneficiaries who die each year comprise almost 30 percent of Medicare expenditures. More primary care visits in the preceding year were associated with fewer hospital days at the end of life and lower costs. [Kronman, Ash, et al. Gen. Intern. Med. 2008]
- Increased proportions of primary care physicians across all U.S. counties was associated with 5.5 percent fewer hospital admissions, 5 percent fewer outpatient visits, 10.9% fewer emergency department visits, and 7.2 percent fewer surgeries. [Kravet, Shore, et al. Am. J Med, 2008].

The policy reserve fund also could facilitate expansion of programs to improve care coordination, including the **Patient-Centered Medical Home**, an innovative practice-based model of care coordination

by primary and principal care physicians that has great potential to improve the quality and effectiveness of care provided to Medicare patients.

While the College appreciates that the budget resolution recognizes a shortfall in the current Medicare payment formula, we believe that a full accounting of the funds needed to reform the sustainable growth rate (SGR) formula would remove the greatest single barrier to reaching a consensus on a long-term solution to the SGR payment cuts.

On January 1, 2010 physicians face a 21 percent Medicare payment reduction unless Congress intervenes to avert this cut. This uncertainty in Medicare reimbursement rates makes it nearly impossible for physicians to plan their budgets for their practices. Decisions by past Congresses and the previous administration to enact short-term "patches" to avert SGR cuts, funded in part by unrealistic assumptions of even deeper SGR cuts in future years, have resulted in an accumulated SGR deficit of hundreds of billions of dollars and masked the real costs of averting the SGR cuts.

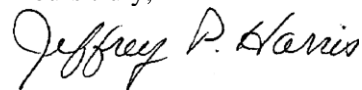
The amount of current policy funding authority in the policy reserve fund is an important step toward recognizing the costs associated with preventing continued SGR cuts. Such funding levels, though, may not be sufficient to achieve the objectives of providing enough room in the budget for the Medicare authorizing committees to enact legislation to replace pending physician payment cuts resulting from the SGR with positive updates, account for the accumulated SGR payment deficit, accurately account for the costs associated with a long-term SGR fix, ensure appropriate compensation for primary care, and improve care coordination. **Accordingly, we continue to urge Congress to include in the assumptions of Medicare baseline spending a full accounting of the entire cost associated with a long-term solution to the flawed SGR payment formula (rebasings), as President Obama recommends in his budget request.**

Additionally, **we are pleased with the inclusion of a reserve fund for health care reform** "which may include making affordable health coverage available for all, improving the quality of health care, reducing rising health care costs, building on and strengthening existing public and private insurance coverage, including employer-sponsored coverage, and preserving choice of provider and plan. " The College has a long-standing commitment to making affordable health insurance coverage available to all Americans.

We recommend, though, that the health reform reserve fund allow for enactment of necessary reforms--such as investments in wellness, prevention, primary care, health information technology and testing of innovative physician payment reforms--that may not achieve immediate and "scoreable" budget savings within the normal five year budget window, but have enormous potential to bring long-term benefit in improving the quality, effectiveness and efficiency of care provided.

The College commends you for your support of primary care and looks forward to working with you on advancing a budget that lays the groundwork for comprehensive reforms to guarantee health coverage, replace the flawed Medicare update formula, reform physician payments, and recognize the contributions of the primary care workforce.

Yours truly,



Jeffrey P. Harris, MD, FACP
President