

August 21, 2006

Mark McClellan, MD, PhD
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
200 Independence Ave., SW
Washington, DC 20201

File Code: CMS-1512-PN (Medicare Program: Five-Year Review of Work Relative Value Units Under the Physician Fee Schedule and Proposed Changes to the Practice Expense Methodology)

RE: Comments on Medicare Physician Payments

Dear Dr. McClellan:

The undersigned organizations believe strongly that the system of payment for services provided or controlled by physicians, for both Medicare and commercial payers, is in need of a major overhaul. Rather than promoting better quality, coordination, greater efficiency and more effective delivery of care, most payments reward quantity, errors, rework and unnecessary care. Medicare can, and should, lead the way in reforming these dysfunctional payment policies.

The proposed rules represent a significant first step in correcting a perverse payment system by addressing the undervaluation of Evaluation and Management (E/M) services by substantially increasing their relative work weight. With this change, physicians providing more E/M services would experience a corresponding increase in Medicare payments. This change represents a redistribution that allocates Medicare payments more appropriately. We applaud and support the proposed rules because they correct the dramatic erosion of the relative weight accorded to E/M services over the past fourteen years.

These proposed changes are of vital importance to millions of Medicare beneficiaries and the physicians who provide complex evaluative and management services. However, Medicare's underlying payment system still lacks sufficient incentives for improving the quality, coordination and efficiency of care. The need to conduct a more complete review and revision of physician payments is urgent and goes beyond these changes. Payment reform must include addressing the flawed Sustainable Growth Rate formula, which is an inequitable and poor mechanism to control volume without any relationship to the quality or efficiency of individual physicians. We urge the Centers for Medicare and Medicaid Services to undertake a comprehensive process to review and revise payments considering factors such as:

- Differentially rewarding physicians who deliver higher quality, evidence-based care more efficiently;

- Developing payments for care coordination that support the integration and delivery of services for those with chronic illnesses;
- Developing payments that support reengineering of care, such as, but not limited to, reimbursing structured “online-visits,” group visits, and telemedicine-mediated care;
- Structuring payments that recognize efficient and effective care may reduce expenditures both within a single sector and between sectors (e.g., physician services may reduce expenditures in emergency rooms and hospital care); and
- Balancing the desire to provide patients with “one-stop shopping” with a critical review of self-referral arrangements, especially those in which a physician stands to financially benefit by providing tests, procedures or imaging that do not require his or her personal time and involvement.

Thank you for the opportunity to comment on these proposed rules and for your leadership in this important area. If you have any questions, please contact either of the Disclosure Project’s co-chairs, Peter Lee, CEO of the Pacific Business Group on Health, or Debra Ness, President of the National Partnership for Women & Families.

Sincerely,

AFL-CIO
American Benefits Council
American Hospice Foundation
Associated Industries of Massachusetts
CalPERS
Care Focused Purchasing, Inc.
Carlson Companies
Cisco Systems
Consumers Union
Employer Health Care Alliance Cooperative
Employers’ Coalition on Health
ERISA Industry Committee
General Motors
HR Policy Association
Motorola
National Business Coalition on Health
National Business Group on Health
National Consumers League
National Partnership for Women & Families
National Retail Federation
Northeast Pennsylvania Regional Health Care Coalition
Pacific Business Group on Health
PG&E Corporation
Piedmont Health Coalition, Inc.
Service Employees International Union
St. Louis Area Business Health Coalition
Xerox