



A Coalition of 13 Medical Societies Representing 200,000 Specialty Physicians in the United States

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SPECIALTY PHYSICIANS URGE CONGRESS TO FIX MEDICARE PHYSICIAN PAYMENT SYSTEM

*Doctors Call on Congress to Prevent Medicare Cuts, Fix System At Ways and Means
Subcommittee on Health Hearing*

Washington, DC – The Alliance of Specialty Medicine today urged Congress to act quickly to prevent steep reductions in Medicare physician reimbursement that will begin on January 1, 2006. Currently, updates to the Medicare physician fee schedule are calculated using the sustainable growth rate formula (SGR), which sets a cap on the amount of physician services beneficiaries can use each year. Under the SGR formula, physicians will receive an approximate 5 percent cut in reimbursement every year between 2006 and 2013 unless they severely substantially reduce the volume of services provided to beneficiaries.

“The sad reality of the current situation is that the only way that physicians can avert cuts is to limit care to the population that needs quality healthcare the most, our nation’s elderly and disabled,” William Gee, MD, a urologist from Lexington, Kentucky, said in testimony on behalf of the Alliance. “No doctor wants to turn away patients or leave a practice and the patients she or he has been serving for years. No doctor wants to end a career earlier than he or she intended. To take such actions goes against the very reasons we became doctors.”

During its testimony, the Alliance addressed problems with the current SGR formula, suggested two specific changes to the current payment system and cautioned the committee on moving too quickly on alternative payment initiatives, including pay-for-performance.

The SGR formula has predicted cuts in services every year since 2002, when physicians received a 5.4 percent cut because beneficiaries used more physician services than the cap allowed. In 2003, 2004 and 2005 Congress intervened and overrode the formula with legislation that prevented the cuts. However, in 2004 and 2005, while physicians received a 1.5 percent increase in reimbursement, no new money was added to the system and the increase actually worsened the current situation. The problems

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are caused by a substantial increase in the demand for services by beneficiaries, increases in drug prices and slow growth in the gross domestic product, which determines the allowed growth for each year. Doctors cannot control the cost of drugs or the gross domestic product so their only alternative is to cut back on services provided to Medicare beneficiaries and hope their colleagues nationwide do the same. With the cuts, doctors will receive 30 percent less money in 2013 than they did in 2005, regardless of inflation and increased practice expenses, which are predicted to rise 20 percent.

“With our physicians facing over 30 percent reductions in Medicare reimbursement, compounded by exorbitant liability premium increases, many specialty physicians are reconsidering their Medicare participation status,” Dr. Gee said. “It is now time to put an end to these stop-gap measures and fix the formula.”

The Alliance proposed two suggestions to fixing the formula: 1) Removing Medicare-covered outpatient drugs and other incident-to services from the costs attributed to doctors; and 2) repealing the SGR and using the Medicare Economic Index to set the yearly update to the fee schedule.

Currently, drugs paid for under Part B, including cancer drugs, are included as “physician services” and are counted as part of the cap on these services. These drugs account for over 20 percent of the costs attributed to physicians and that number will rise substantially in future years as drug prices rise. Physicians do not control the costs of these drugs and removing them from the cap, (aka the expenditure target), would prevent almost all of the predicted cuts.

“Drugs must be removed from the expenditure target so it accurately reflects what it is suppose to reflect – payment for physician services,” Dr. Gee said. The Centers for Medicare and Medicaid Services (CMS) has the power to take this step on its own, but has refused to act.

In order to stabilize the physician fee schedule and prevent large swings in reimbursement, the Alliance also suggested that Congress repeal the SGR formula and replace it with a system that is more predictable and recognizes the true costs of providing services to beneficiaries.

“Other providers, such as hospitals and skilled nursing facilities, are reimbursed based upon changes in the costs of providing services and the physician reimbursement formula should be based on this as well,” Dr. Gee testified.

Finally, the Alliance urged caution when reviewing other possible alternative reimbursement methods, including pay-for-performance. While Medicare announced its first demonstration project on the topic just last week, all of programs are focused on the management of chronic disease patients in large primary care practices. Similar programs have never been attempted for many medical specialties and many small medical practices do not have the information technology systems, which cost upwards of

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\$100,000, to participate. Without tried and tested measures and information technology systems in place, many specialty physicians will be prohibited from participating.

“If a pay for performance system is implemented, it must be phased-in and pilot tested first,” Dr. Gee said. “This type of system cannot be budget neutral and the physician community must first develop the measures and determine the most appropriate way to collect the necessary data.”

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The Alliance of Specialty Medicine is a non-partisan group based in Washington, DC, representing over 200,000 in 12 medical specialties and dedicated to the development of sound federal healthcare policy that fosters patient access to the highest quality specialty care. Additional information can be found at WWW.SPECIALTYDOCS.ORG.