AAFP Testimony

to

Practicing Physicians

Advisory Council

Monday, February 3, 2003

January 31, 2003

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Good morning. I am pleased to be present testimony today on behalf of the American Academy of Family Physicians, which represents more than 94,300 family physicians, family practice residents, and medical students nationwide. AAFP appreciates the opportunity to speak to the Practicing Physicians Advisory Council (PPAC) today and would like to devote its comments to three main areas: (1) the impact of Medicare reimbursement on beneficiary access, (2) the formula used to calculate Medicare payment rates; and (3) coordination of care as a clinical service performed by family physicians.

Impact on Beneficiaries

CMS states in the final rule, "We do not believe that there would be any problem with access to care as a result of the changes in this rule." AAFP interprets that statement to pertain to the contents of the rule with the exception of the 4.4 percent decrease in the conversion factor. We believe this because of public statements CMS officials have made on numerous occasions since the publication of the final rule. Those statements reflect the CMS concern that these serious, unintended cuts in the rate of reimbursement will result in beneficiary access problems.

AAFP agrees that the cut in the physician payment rate (the fifth in 12 years) announced in the (2003) rule will reduce access to health care. The 2002 cut contributed to a 28-percent decline in the number of family physicians who accept new Medicare patients. An AMA survey in late

2002 revealed that nearly 50 percent of respondent physicians will find it necessary to close the doors to new Medicare patients if CMS implements the announced additional 4.4 percent decrease in Medicare payment rates.

Cuts that have the impact of reducing the number of family physicians who are willing to provide services to Medicare patients put the health and lives of Medicare beneficiaries at risk. A recent study conducted by the Robert Graham Center for Policy Studies in Family Practice and Primary Care revealed that family physicians are the predominant source of primary health care services for the elderly in the U.S., particularly underserved minority populations and those living in rural areas. Restoring reasonable payments to those who provide health care to Medicare patients must be a top priority for both Congress and CMS. It is the hope of the AAFP that CMS will work with the interested stakeholders toward a substantive revision of the dysfunctional update formula. Without action, the health of millions of Americans is being put at risk.

Calculation of Rates

AAFP appreciates the modification in the productivity adjustment CMS included in the final rule. Calculating and using the well-established and accepted method of identifying a productivity offset is reasonable and long overdue. Moreover, AAFP urges CMS to continue to make reasonable revisions to the formula which are within its administrative authority; specifically by removing the physician administered drugs form the Sustainable Growth Rate (SGR). Since these drugs are not paid for under the fee schedule, they should not be included in the calculation of the conversion factor applied to the fee schedule. The exponential rate of growth in these drugs, which are not paid for under the fee schedule, has the effect of suppressing the payment rate for physician services, which are. This

suppression of payments serves to constrain expenditures under the Medicare fee schedule but does nothing to contain costs with respect to physician-administered drugs.

Beyond that modification, AAFP urges CMS to join with us in encouraging Congress to undertake a revision of the SGR formula, at minimum de-linking it from the gross domestic product which has no direct or indirect correlation to the Medicare beneficiary need for care.

We appreciate CMS's expressed desire to avoid a negative update in the conversion factor in 2003. However, a freeze of rates that were reduced by 5.4 percent last year and over the prior eleven years have lagged 13 percent behind the rate of medical inflation as measured by the government, is insufficient to maintain stability of, and confidence in, the Medicare program.

Moreover, during this time of departure from usual administrative procedure and this time of uncertainty with respect to Medicare reimbursement, physicians must be held harmless with respect to care delivered in good faith to Medicare beneficiaries. Terms of participation agreements should coincide with established payment rates and physicians should be given ample time to make decisions about Medicare participation when reimbursement changes are made.

Medicare Part B physician reimbursement is currently in turmoil and physicians and patients are losing confidence in Medicare. Consequently, all regulatory and legislative measures must be taken to rapidly right this unstable vessel. And this turbulence should be prevented from occurring ever again.

Coordination of Care Codes

Family physicians and other primary care physicians are frequently asked or required to manage and coordinate complex medical cases to ensure quality and efficient use of health care resources, particularly in, but not limited to, the inpatient setting. Many commercial health plans recognize this function of family physicians and reimburse them for serving in this role.

In a similar way, Medicare has recognized this concept as it relates to home health and hospice patients by paying physicians for care plan oversight. AAFP suggests that CMS consider extending that concept to other settings in which primary care physicians play an oversight/coordination of care/case management role in addition to any services that they may directly render to the patient. We believe that this role brings value to the Medicare program in enhanced quality and efficiency, and we urge Medicare to recognize and reward that value by incorporating this concept into the next proposed rule for the physician fee schedule.

AAFP appreciates the opportunity to comment on these matters related to the Medicare physician fee schedule. As always, the American Academy of Family Physicians looks forward to working with CMS in its continued efforts to ensure access to appropriate physician services.

Thank you.