



AMERICAN OSTEOPATHIC ASSOCIATION

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June 18, 2002

The Honorable William Thomas
Chairman, Ways and Means Committee
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Billy Tauzin
Chairman, Energy and Commerce Committee
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Thomas and Tauzin:

The American Osteopathic Association (AOA), which represents the nation's 47,000 osteopathic physicians, appreciates your efforts to address numerous issues facing physicians as a part of the "Medicare Modernization and Prescription Drug Act of 2002" (H.R. 4954). As you are well aware, physician payments were reduced 5.4% this year and additional reductions of 15% to 17% are expected over the next three years. Your legislation provides an interim solution that would reverse this trend and replace these decreases with an approximate 6% increase over the same time period.

The AOA fully understands that, given budget constraints, a long-term solution could not be included in this legislation. We appreciate, however, the meaningful steps you have taken to provide immediate relief for physicians and other providers. Additionally, the AOA looks forward to working with you in designing a long-term solution that will repair or replace the current physician payment formulas and avoid new cuts scheduled to begin in 2006.

The AOA is pleased that you are including regulatory reforms in H.R. 4954. The House has recognized the severity of regulatory burdens and their impact upon physicians, hospital and other providers and has offered meaningful solutions. On December 4, 2001, the House unanimously approved the "Medicare Regulatory and Contracting Reform Act of 2001" (H.R. 3391). We appreciate your continued pursuit of regulatory reforms that will allow our members to focus on patient care rather than paperwork.

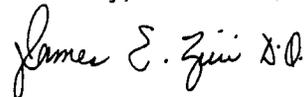
Your legislation also provides much needed stabilization in the funding for graduate medical education. We support the provisions that prevent the indirect medical education percentage from falling to 5.5% as mandated in current law. Our nation's teaching hospitals provide a large percentage of care to the indigent and decreases in reimbursement not only jeopardize the educational programs, but also the important service these institutions provide to the neediest citizens in their communities. The AOA strongly encourages the Committees to

consider increasing the "floor" for direct graduate medical education to 100% of the national average as a part of this package.

H.R. also includes several studies that examine the most pressing issues facing the Medicare program and physicians. The AOA supports the GAO study of geographical difference in payments under the Medicare program. The AOA supports the "Rural Equity Payment Index Reform Act of 2001" (H.R. 3569). We believe that the current payment formula unfairly punishes physicians who practice in rural areas by placing geographic weighted criteria on the physician work adjuster. The "work" of a physician is not impacted by the geographic location of the practice and should be equal for all physicians. We view this as a fairness issue and believe that current regulations have a negative impact on rural physicians. Additionally, this issue is central in a physician's decision on where they establish a practice. We appreciate you taking steps towards examining the issue and seeking additional data that will support changes to the current regulations.

The AOA applauds your efforts to enact meaningful Medicare reforms that will benefit millions of beneficiaries without risking the financial solvency of the Medicare Trust Fund. We appreciate your efforts to draft provisions that address the dramatic cuts in physician payments, reduce the regulatory burden placed upon physicians, analyze payment inequities, and stabilize GME reimbursement. Thank you again for your support of H.R. 4954. We look forward to working with you and your Committees on these issues as they move through the Committee process and to the House floor. Please contact Shawn Martin, Director of Congressional Affairs at (202) 414-0147 for additional information.

Sincerely,



James E. Zini, D.O.
President

C: Members, Ways and Means Committee
Members, Energy and Commerce Committee
AOA President-Elect
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Members, AOA Council on Federal Health Programs
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