



October 4, 2011

The Honorable Wally Herger
Chairman, House of Representative Ways and Means Subcommittee on Health
1102 Longworth House Office Building
Washington D.C. 20515

Re: Expiring Medicare Provider Payment Policies

Dear Chairman Herger:

On behalf of Gundersen Lutheran, we appreciate the opportunity to comment on several key policies enacted by Congress crucial for providing access to care in rural areas of our country. On behalf of Gundersen Lutheran, we support continuing Medicare physician payment policies impacting the Physician Work Index and Practice Expense Index along with ensuring rural areas have continued access to emergency transportation services.

About Gundersen Lutheran

Headquartered in La Crosse, Wisconsin, Gundersen Lutheran Health System provides quality health services to patients at its hospital and clinics throughout predominantly rural areas in western Wisconsin, southeastern Minnesota and northeastern Iowa. Gundersen Lutheran is an integrated, major tertiary teaching hospital, providing a broad range of emergency, specialty and primary care services and consistently ranked in the upper 5% of hospitals nationwide.

Geographic Practice Cost Index

Research demonstrates wide variation in Medicare per beneficiary spending throughout geographic regions across the United States. Currently, the Geographic Practice Cost Index (GPCI) formula includes various components used to calculate overall payment to physicians, including indices of work, practice expense, and malpractice insurance costs. Currently, this formula is being evaluated through a series of studies by the Institute of Medicine (IOM), which is releasing recommended guidance and changes to the existing Medicare fee-for-service physician payment formula. The overarching goal of the IOM studies on geographic variation is to find ways to move reimbursement away from fee-for-service to incorporate cost and quality metrics. However, while the IOM is continuing their studies to implement value in healthcare payments, a gap exists between their final recommendations, and key policies historically enacted by Congress prior to and including the Affordable Care Act (ACA) that assist rural and low Medicare reimbursed areas.

Physician Work Index Floor

The Physician Work (PW) index is a component of the physician payment formula designed to account for costs relative to labor in a particular Medicare payment locality. Currently, the PW index is devised from Bureau of Labor (BLS) Occupation Employment Statistics (OES) from 2006-2008 to derive a proxy to account for the “real rate” of physician work varying in geographic areas. The

ACA created a temporary extension of the PW floor to assist low reimbursed areas in Medicare physician payments, including Gundersen Lutheran and the rest of Wisconsin.

Gundersen Lutheran supports eliminating the adjustment factor for physician work, as the input of work is the same across the Medicare payment localities. Physicians put in the same time, skill, and intensity in patient visits as any other across the country. However, the outcomes, i.e. the work product, is different. **Specifically, we support implementing a standard PW index of 1.0 across all payment localities, which is revenue neutral; or continuing the PW floor of 1.0 until the new payment formulas.** This policy decision by Congress helps to ensure lower Medicare cost regions are not further penalized utilizing the current formula while the non-partisan IOM continues their crucial studies to implement value.

Physician Practice Expense

Since the GPCI's were implemented in 1992, the physician practice expense (PE) accounts for varying input costs associated with non-physician wages, office rent, and equipment, supplies and other miscellaneous expenses.

As part of the ACA, the PE GPCI was re-calculated to assist under reimbursed regions. Coined the Grassley Amendment as sponsored by Senator Chuck Grassley, these modifications were enacted in Sections 3102 and 1008 of the Affordable Care Act (ACA). Specifically, the provisions adjust the Practice Expense (PE) to reflect ½ the difference between the national average and those areas below the national baseline. Set to expire, it is difficult for providers in low reimbursed areas of the country to continue experiencing downward pressure in physician reimbursement. **Therefore, we recommend Congress continue the PE policy in the GPCI payment formula to ensure rural areas are accounted for in terms of their ability to recruit and hire high quality medical providers.** Under a payment formula which results in lower payments in rural areas, particularly in the upper Midwest, it is important some level of relief is provided to the lowest reimbursed areas in the Medicare program.

Rural Ambulance Services

Ensuring patients have access to trauma emergency services is critical to increased survival rates. The notion of strained access is exacerbated in rural areas where Gundersen Lutheran primarily serves both as a provider and through the affiliate Tri-State Ambulance emergency transportation services. Serving both metro and rural areas, Tri-Ambulance serves patients in western Wisconsin, southeastern Minnesota and the corner of northeast Iowa.

As a non-profit healthcare organization, Tri-State Ambulance provides paramedic, advanced life support service with no taxpayer subsidies. This is impressive considering that across America the majority of 911 ambulance providers receive an operational tax-funded subsidy, often as much as 75 percent. The past few years have been financially challenging to the ambulance industry and healthcare in general. Lower insurance reimbursement and higher numbers of uninsured have left countless ambulance providers asking for increased subsidies from their towns or counties. Due to Tri-State's decreased revenue and lower reimbursement, numerous adjustments to its operations have been made without reducing service. However, in order to continue providing high quality service to all of our patients in the region, the payment bonuses for rural areas are key policies and we support their extension.

Conclusion

Medicare payment policies aimed at targeted areas are key to ensuring healthcare is accessible to all, especially in rural areas where costs of providing services are higher, and revenues are lower due to the fee-for-service reimbursement environment. As the nation transitions to utilizing different models of payment for healthcare services, these important reimbursement policies help specific areas of the country, including Gundersen Lutheran that are low cost Medicare providers. In sum, we support continuing these payment policies in Medicare while we continue to work together on implementing value based reimbursement in healthcare.

Please feel free to contact me with any questions.

Sincerely,

Michael Richards
Executive Director
Government Relations & External Affairs