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**Statement for the Record on Behalf of the Alliance for Quality Nursing Home Care**

**U.S. House of Representatives Committee on Ways and Means  
Subcommittee on Health**

**Hearing on “Developing a Viable Medicare Physician Payment Policy”**

**May 7, 2013**

The Alliance for Quality Nursing Home Care (the “Alliance”) appreciates the opportunity to provide this written statement for the record of the May 7, 2013, U.S. House of Representatives Committee on Ways and Means Subcommittee on Health hearing entitled “Developing a Viable Medicare Physician Payment Policy.” The Alliance applauds the Subcommittee’s Leadership and Members for holding this hearing to improve the Medicare physician payment system. Our members agree that the current sustainable growth rate (SGR) formula is unworkable. SGR reform matters to America’s nursing homes because outpatient therapy services, including those provided in skilled nursing facilities (SNFs), are paid according to fees established in the physician fee schedule. Any change in the SGR formula directly impacts the payment rates for therapy services provided under Part B. Thus, we call on Congress as it seeks to reform the physician payment system also to enact meaningful reforms to address problems with the current therapy payment program.

The Alliance fully supports efforts to avoid a “one size fits all” approach. Consistent with this view, we also strongly believe that it is important to decouple Part B therapy from the physician payment system and further recognize the significant distinctions between therapy provided in SNFs and other institutional settings and therapy provided in outpatient settings.

Just as the SGR formula fails physicians, it also fails those professionals and institutions providing therapy services. The Alliance supports the repeal of SGR and with it repeal of the therapy caps so closely linked to the SGR and physician payments currently. We agree that there is an urgent need for payment reform. However, we increasingly are concerned that the reform proposals under consideration at this time do not acknowledge or differentiate between physicians and others paid under the fee schedule. Proposals to reform the payment system so that it becomes more sustainable and rewards high-quality, efficient care should also include reforms that would address the problems with the current methods Medicare uses to pay for Part B therapy services provided in institutional settings generally and more specifically SNFs.

Specifically, the Alliance recommends that the Congress authorize the creation of a therapy-specific episode-based payment system that permanently separates payment for these services from the physician fee schedule payment structure. An episodic payment model would focus on patient needs and the duration of care rather than on arbitrary therapy categories. It would create

incentives for providers to manage therapy more efficiently. Shifting toward an episodic payment model would be consistent with proposals to reward the efficient use of resources.

Part B therapy services provided in institutional or inpatient settings (where payment under Part B simply is an artifact of payment policy inconsistencies) justify separate consideration from outpatient therapy services. The Alliance believes that an episodic payment model could be implemented more quickly with regard to therapy services, particularly in institutional settings, than in the traditional physician context.

Once a stable payment system is in place, additional incentives to reward high quality care could be developed. There are gaps in quality measure development, especially for therapy services. While some metrics exist today, more work is needed to develop a meaningful set of measures that could be applied to services provided in institutional settings. The Alliance supports exploring different models to afford greater flexibility for providing and rewarding high quality care. Thus, we recommend that as part of therapy payment system reform, any reform proposal include the requirement to develop robust therapy measures and to test different structural model(s) necessary to reward high-quality providers.

Finally, a reformed payment model for Part B therapy services should eliminate current policies that impose undue burdens on the provision of care and that would become unnecessary in an episodic payment system. For example, both the therapy caps and the multiple procedure payment reduction (MPPR) policies – which also disproportionately and adversely impact SNFs and other institutional providers – no longer would be necessary. In addition, the Subcommittee should also take the opportunity to review the inconsistency in regulations that apply to therapy services provided in Part A and Part B. These should be aligned in a manner that reduces unnecessary burdens on providers.

In sum, we reiterate our support for the ongoing efforts to stabilize and reform the physician fee schedule. Specifically, we recommend that any reform proposal:

1. Include a section that specifically reforms the payment framework for therapy services provided in institutional settings to focus on patient need and incentivize the efficient use of resources;
2. Repeal the therapy cap and MPPR along with the SGR; and
3. Authorize the development of specific therapy metrics to be tested in alternative payment models that reward providers for high-quality outcomes.

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The Alliance is a coalition of 10 leading post-acute and long term care organizations providing quality skilled nursing care and other post-acute services to as many as 300,000 patients each year in approximately 1,200 facilities nationwide. As the leading provider of Medicare post-acute services, America's SNFs provide quality post-acute services that allow more than 50 percent of patients to return home. This percentage increases annually to the benefit of Medicare beneficiaries and U.S. taxpayers.