

**Testimony Submitted to the House Ways and Means Committee
Subcommittee on Health**

Hearing on Developing a Viable Medicare Physician Payment Policy

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Introduction

Chairman Brady, Ranking Member McDermott and members of the Subcommittee on Health. On behalf of the Mayo Clinic, I appreciate the opportunity to submit written testimony on the need to reform Medicare’s physician payment system. As you know, the Sustainable Growth Rate (SGR) is anything but sustainable. It must be repealed. We have an opportunity to put in place a structure that helps providers offer higher quality care for Medicare patients. Mayo Clinic is widely viewed as one of the premiere providers of health care in the world. I want to share some of the learnings from our experience over more than one century of striving to provide high value health care. I also want to provide specific recommendations on how the Mayo Clinic proposes to reform the SGR.

Mayo Clinic Background

Mayo Clinic is a not-for-profit health care system dedicated to medical care, research, and education. With more than 3,600 physicians and 60,000 employees, Mayo Clinic demonstrates a relentless and unwavering commitment to excellence, which has spawned a rich history of health care innovation. Each year, more than one million people from all 50 states and 140 countries come to Mayo Clinic to receive the highest quality of care at sites in Minnesota, Arizona and Florida. In addition, we operate the Mayo Clinic Health System, a family of clinics, hospitals and health care facilities serving communities in Iowa, Georgia, Minnesota and Wisconsin. Most recently, we established the Mayo Clinic Care Network in 2011, which consists of health-care organizations across the U.S. that share a commitment to improving the delivery of health care in their communities through high quality, data-driven, evidence-based medical care. While retaining their autonomy, members of the Mayo Clinic Care Network have direct access to Mayo Clinic’s expertise, as well as to Mayo Clinic's evidence-based disease management protocols, clinical care guidelines, treatment recommendations and reference materials for complex medical conditions.

Mayo’s geographic footprint is illustrated in the map below.



Mayo Clinic's unique and distinguishing characteristic is the Mayo Clinic Model of Care, which is a trusted and collaborative approach to medicine that is complemented by a constant quest for knowledge and innovation and dates back to the Mayo brothers who founded Mayo Clinic 149 years ago.

In 2013, Mayo Clinic, Rochester, was ranked among the top three U.S. hospitals by *U.S. News & World Report*. Of the 16 specialty areas reviewed by *U.S. News*, Mayo Clinic, Rochester, was ranked in the top 10 in 15 specialties, in the top five in 11 specialties, and was the number one ranked hospital in four specialties.

When it comes to research and health care innovation, Mayo Clinic has been a steadfast leader. In 1907 Mayo adopted a unified medical record – a stunning advancement that is now embraced by almost two-thirds of practices in the United States. Mayo developed the first and largest multidisciplinary, academic medical group practice, created the first microscopic system for grading cancer, invented the heart-lung machine, and was awarded the Nobel Prize for the discovery of cortisone. Mayo Clinic will continue to pursue innovative care and services that will benefit patients worldwide.

Health Care Delivery in the U.S.

As Congress moves toward a permanent solution to the SGR, Mayo Clinic commends you for your efforts to tackle this challenge, and is committed to working with you to establish a plan that ensures quality, efficiency, and value for patients.

In America, we have come to expect the best of everything. However, when it comes to health care, we pay more in this country than anywhere else in the world. And yet the United States falls behind other countries on measures of health outcomes. Millions of Americans do not have or cannot afford the health care they need. We need to rethink how we pay for health care and develop differentiated payment models across the care delivery continuum –primary, intermediate, and complex care. At times, patients require primary care and preventive services. This makes up the largest portion of the continuum.

At other times, however, patients require elevated care—that may be delivered at hospitals with special expertise. Finally at the other end of the continuum, a small percentage, perhaps 1 in 1,000 each year across the U.S., of patients have conditions that are difficult to diagnose and treat and they need complex care. They are very sick and cannot get an accurate diagnosis, or require complicated care from a number of specialists or need cutting edge therapies.

Our health care system must be flexible and adaptable to the varying needs of patients.

Without it, providers will never be able to embrace the elusive goal of value: high quality care at lower costs. We propose the creation of a Medicare payment system that recognizes the different types of care along the continuum and rewards the quality and value of each, whether primary, intermediate or complex care.

Our health care payment system should include incentives and rewards for the proper management of primary care to complex cases. One irony of our current system is that the financial return from mismanagement – needlessly bouncing a patient from specialist to specialist and lab test to lab test and sometimes even giving the wrong or no answers – can be far greater than the financial return when patients are correctly and efficiently diagnosed and their treatment is managed properly.

Americans deserve a Medicare payment system that recognizes the continuum of care and rewards quality and value at each level. Medicare payment models should allow providers to choose the payment option that best fits their health care practices. The answers to the challenges we face will not be simple, but if we align how we pay for care with how we diagnose and treat patients, we can reach our goal of high-value health care for every patient.

The SGR and Payment Reform

The SGR is unsustainable. Medicare payments fall well below the cost of caring for America’s seniors. At Mayo Clinic—where about half of our patients are Medicare recipients—current payments cover just 60 percent of the costs of the care we provide to our nation’s Medicare beneficiaries.

The SGR has not been effective at controlling the volume of physician services. The SGR does not distinguish between those doctors who provide high quality care to beneficiaries and those who provide unnecessary services. In fact, as noted above, physicians providing the most efficient care are penalized under Medicare’s current payment system while physicians who order more tests or perform more procedures than necessary receive greater reimbursement.

We must move beyond the traditional fee-for-service (FFS) system, which compensates volume of services regardless of overall patient outcomes, satisfaction, and safety. Furthermore, the FFS payment model alone does not reflect the diverse physician practice models across the U.S. The variety of business patterns employed by our nation’s physicians require flexible models to accommodate these various structures.

Mayo Clinic SGR Reform Principles

After a decade of temporary fixes, Congress must act to implement a permanent solution to the SGR. We encourage Congress to adopt the following set of principles as the basis for any future reform.

- Repeal the Sustainable Growth Rate
- Establish a one to three year transitional update reimbursement schedule at no less than the Consumer Price Index (CPI).
- Put in place a menu of new payment models that recognize the diverse business models of our nation’s physicians that ensures adequate provider reimbursement.
 - These payment models should offer opportunities for physicians to choose innovative models alongside FFS that work for their patients, practice, specialties and geographic region.
 - The new models of physician payment methodology must reward value-based outcomes, quality and efficient medical practices.

- New Medicare payment models such as bundled payments and accountable care models – tested in both ACA demonstration projects and private sector initiatives—are among the options that should be considered.

Accountable Care Organizations

The advent of Accountable Care Organizations (ACOs) under the Affordable Care Act (ACA) is designed to encourage coordination in a fragmented health care delivery system, with an emphasis on primary care providers. During the ACA debate, Mayo Clinic was often cited by bipartisan policy makers as a model for Medicare ACOs. We were looked to as an example because Mayo Clinic has been delivering care for more than a century in a coordinated and team based approach that produces the better outcomes and value espoused by the ACO concept.

We support greater integration of health care and strongly believe it will lower costs, increase quality and provide greater value. At the same time we recognize that the ACO model is not a panacea for the entire delivery system.

We must be careful that ACOs networks are not structured so narrowly as to preclude patients seeking answers to major health issues from having the option to come to Mayo Clinic and other top-of-the-continuum centers. This is another example why it is essential to recognize the continuum of care delivery in our country. We must ensure that as we increase integration and efficiency we do not adversely impact systems, especially academic medical centers such as Mayo Clinic which are already designed to drive value in the health care system.

Patients with complex conditions often do not fit into neat categories, nor are two cases alike. For example, a cardiologist treating two patients with blackouts:

- In the first patient, the cardiologist found blackouts related to what is called neurocardiogenic syncope as well as signs of focal complex seizures.
- In the second patient with blackouts, the doctor recognized there was autonomic nervous system failure and Parkinson’s disease with multiple system atrophy.

Both patients had blackouts, but the similarities ended there. The meticulous medical detective work that the cardiology team orchestrated succeeded in accurately diagnosing each patient’s unique condition. Aligning how we pay for care with how we diagnose and treat patients must appropriately reflect the need for this type of complex care.

Within this part of the continuum of care, data and care outcomes must be used to create a sustainable continuum of care, and these outcomes and cost metrics must be readily available so patients, families and payers can make informed decisions about where to seek care.

Use of Data to Drive Cost Effectiveness

Public policy decision makers need to recognize, but more importantly reward, excellence across the continuum of care — primary, intermediate and complex — and do their part to create a competitive

marketplace where data drives innovation and better care at lower cost. Payment changes should include incentives and rewards for the proper management of complex cases. Patients, providers and taxpayers alike get into trouble when patients “churn” in the wrong part of the continuum of care, when health professionals fail to coordinate care or provide smooth transitions across the continuum.

Mayo Clinic’s work with Optum, a subsidiary of UnitedHealth Group, is an important and promising step in aligning health care delivery and costs. By combining Mayo Clinic's robust clinical information with Optum’s extensive claims data, we will better understand health care delivery over time, compare the effectiveness of care given by various health care providers and analyze the total cost of care for specific procedures or diseases. This will help Mayo Clinic provide better care to our patients, and help the industry define value through outcomes instead of volumes. This is the largest effort of this type (combining clinical and claims data) in the country. Stripped of all personal identifying information to protect patient privacy, we will be poised to assess some basic questions about what is successful, how much it costs and who is doing it best. As results are known and broadly shared, patients, providers and payers can seek and reward those who are providing the highest value.

The potential for this relationship will be even more remarkable when others join the alliance — academic medical centers, research universities, pharmaceutical and device companies, policymakers and other payers. The Optum Labs partnership is one aspect of Mayo Clinic’s Center for the Science of Health Care Delivery, which was initiated in January 2011. Through collaborative work and partnerships, the center helps create and diffuse high value, lower cost care delivery models throughout the country.

By creating the center, Mayo Clinic is emphasizing the need to invest more resources into this discipline and to accelerate the pace of improvement. We constantly strive to perfect our own processes and procedures because we believe that health care providers have a responsibility to lead this effort.

Examples of high value Center for Science of Health Care Delivery initiatives:

- **Shared decision making** - Patients often get caught in the “machinery of health care” – appointments, tests, procedures – without an opportunity to participate in their own treatment decisions. Mayo Clinic is using decision aids with patients to help them define treatment goals and guide discussions on treatment or medication preferences
- **Blood transfusion program** - Mayo's patient blood management initiative seeks to reduce the number of unnecessary transfusions, ensuring that patients receive them only when medically necessary and there is a high likelihood of benefit. A transfusion program using standard protocols within Mayo Clinic’s cardiovascular surgery practice resulted in a 50 percent reduction in red blood cell, platelets, and plasma transfusions. In addition, transfusion-related acute kidney injury diminished by 40 percent. Since the initiation of this program in late 2009, patient care has significantly improved and there has been a cumulative savings of \$15 million.
- **Diamond depression/chronic disease project** - This new care model uses care managers and health care teams to assess the severity of the patient’s condition, monitor care through a computerized registry, provide relapse prevention, intensify or change treatment as warranted, and transition patients to self-management.

In addition, Mayo Clinic is collaborating with several private sector and public sector organizations to improve coordination, and align incentives and reimbursement for outcomes that deliver high value, patient centered care. Examples of some of these efforts include patient-centered medical home partnerships with local employers and commercial market contracts with private plans.

Conclusion

It is our hope that for patients and providers and the long term sustainability of Medicare, all options will be examined with the goal of ensuring that this program is there for our grandchildren and beyond.

We applaud Congress for making SGR and payment reform a top priority this year and hope that a solution is found, agreed upon, and enacted before the end of the year. We encourage you to incorporate Mayo Clinic's SGR Reform Principles into the foundation of legislation to allow for the entire spectrum to deliver the best care, with the best outcomes, at the best value. Encouraging and incentivizing innovation and new technologies is the best way to deliver care. Please consider Mayo Clinic as a resource as you seek to find sustainable solutions for our country's health care future.