



May 20, 2013

The Honorable Dave Camp
Chairman
Committee on Ways and Means
United State House of Representatives
Washington, D.C. 20515

The Honorable Fred Upton
Chairman
Committee on Energy Commerce
United State House of Representatives
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
United State House of Representatives
Washington, D.C. 20515

The Honorable Henry Waxman
Ranking Member
Committee on Energy Commerce
United State House of Representatives
Washington, D.C. 20515

Subject: SGR Repeal and Reform Proposal: Medicare Payment Locality Update Needed in California

Dear Chairman Camp and Upton and Ranking Members Levin and Waxman:

Palomar Health, the largest public health district in California, appreciates your efforts to resolve the problems continually facing the Medicare payment program for physicians and requests your careful consideration and support of the solution proposed by Representatives Darrell Issa and Sam Farr.

The geographic locality designations used in the current payment formula for physicians designates 14 counties, including San Diego as “rural.” San Diego County is home to more than 3.1 million people with an average of 735.8 people per square mile. That average is more than three times the state average of 239.1 per mile. This “rural” designation reduces payments and ignores demographic and practice cost increases, resulting in underpayments to San Diego physicians of nearly \$24 million.

The geographic regions used by Medicare for hospitals are updated regularly so that hospital reimbursement accurately reflects local costs to deliver care. Unfortunately, the physician regions have not been updated in 15 years. As hospitals and physicians work together to provide care in their local communities, it is only fair that they receive accurate payment for the services they provide.

Physicians practicing in these misclassified regions are paid as much as 14% below what Medicare would pay if they were in a correctly classified region. About a third to one half of the physician groups and hospitals in these regions report difficulty recruiting physicians because the cost of living and the cost to practice are high but the Medicare locality payments have not kept pace with these real costs. Most of these regions have lost substantial numbers of physicians. *Thus, patients in these regions report serious access to care challenges, including long waiting times to see physicians.* Exacerbating the problem is the fact that private payers track Medicare payments so the Medicare locality payments negatively impact access to care for all patients.

At Palomar Health, our physician development team has experienced this issue first-hand during the recruitment process. In one instance, the physician development team had been working to recruit an experienced surgeon from the east coast. As he began to compare his income potential in San Diego County against his current practice, factoring in the Medicare reimbursement rate, the income levels didn’t compare. At that point, the surgeon informed our team that while he was interested in working with Palomar Health, the dramatic decrease of income he would have to shoulder prevented him from

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continuing with the recruitment process. Unfortunately, this is just one of many such stories reflecting the struggle Palomar Health, and many other systems, deal with in recruiting physicians to San Diego County.

Palomar Health supports the solution proposed by Representatives Darrel Issa and Sam Farr to redistribute physician payments within California in a way that would have no fiscal impact on the federal government. Their plan is a California-financed solution to a California problem. We acknowledge that the outdated Medicare payment localities are a national problem that needs reform, but we urge you to start by addressing the most pressing concerns in California where the payment discrepancies are the largest.

We urge your support for this important effort to address more equitable payments for physicians in California and preserving access to care for all Californians. Please contact Elly Garner, Government Relations for Palomar Health at 858.675.5275 or elly.garner@palomarhealth.org if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Michael H. Covert". The signature is written in a cursive, flowing style.

Michael H. Covert
President & CEO
Palomar Health

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