

May 20, 2013

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

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

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

Dear Chairman Camp and Upton:

St. Joseph Health - Sonoma County, representing Santa Rosa Memorial and Petaluma Valley Hospitals, applauds your efforts to resolve the problems plaguing the Medicare payment program for physicians and urges you to include an update of the California Medicare payment localities in the Medicare SGR reform legislation. These Medicare payment localities are outdated and have created serious problems with access to care in Sonoma County.

The long outdated geographic locality designations used in the current payment formula for physicians designates 14 counties, including some as large as San Diego, Monterey, Sacramento and Sonoma, as “rural”, thereby reducing payments and ignoring demographic and practice cost increases. 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. In Sonoma County, this misclassification equates to an underpayment to doctors of approximately \$3,750,000 per year.

The root of the problem is that Medicare still designates Sonoma County as rural, even though the county is increasingly urbanized, with almost half a million residents. Urbanization has increased the cost of providing medical care, yet our physicians are still reimbursed at the old “rural” rates.

This disconnect between costs and reimbursements has greatly affected access to care for Medicare patients in Sonoma County. A recent survey conducted by SCMA found that 27% of local physicians planned to limit or eliminate Medicare from their practices, and that nearly half planned to move or retire over the next five years. More than half cited low reimbursements and high costs as the main impetus for moving or retiring. In addition, local practices have encountered chronic difficulties in recruiting new physicians. Again, the most often cited reasons are low reimbursements and high costs. This poses a serious challenge for patients trying to access the services they need as physicians are not available to care for our patients needs. As a health provider this lack of access to care is a great concern to Santa Rosa Memorial and Petaluma Valley Hospitals.

St. Joseph Health – Sonoma County 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.

Sincerely,



Todd Salinas
President

cc: The Honorable Mike Thompson, United States House of Representatives
The Honorable Jared Huffman, United States House of Representatives
Ronald R. DiLuigi, V.P. Advocacy & Government Relations, St. Joseph Health