

May 12, 2011

The Honorable Wally Herger
Chairman, Health Subcommittee
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Herger:

On behalf of the Association of American Medical Colleges (AAMC), I write to thank you for your efforts in exploring how Congress might reform the Medicare physician payment system. The AAMC recently submitted similar comments to the House Energy and Commerce Committee, and greatly appreciates Congress' recognition of the serious challenge facing all health care providers as we work together to replace the Sustainable Growth Rate (SGR). The AAMC is a not-for-profit association representing all 134 accredited U.S. medical schools; nearly 400 major teaching hospitals and health systems; and nearly 90 academic and scientific societies. Through these institutions and organizations, the AAMC represents 125,000 faculty members, 75,000 medical students, and 106,000 resident physicians. The clinical practitioners at AAMC member medical schools account for one-sixth of all physicians in the Medicare system.

The AAMC believes it is absolutely crucial that Congress reform the SGR formula to ensure access for beneficiaries and stability for providers. However, often overlooked in the discussion on how to preserve access for Medicare beneficiaries is the need to ensure that our nation's medical schools and teaching hospitals are able to train enough physicians to meet an increasing demand. The AAMC estimates that by 2020 the United States will face a shortage of more than 90,000 physicians, equally distributed between primary care and subspecialist physicians that Medicare beneficiaries disproportionately rely upon for health care. For this reason, it is critical that the 112th Congress, specifically this Committee, address the need for additional Medicare Graduate Medical Education (GME) funding.

We also agree that Congress cannot solve this problem on its own, and it's critical that the physician and broader provider community play an integral role in examining new proposals to replace the flawed SGR formula with a permanent, sustainable solution. The AAMC supports your efforts, and looks forward to working with you to implement a system that preserves care access for Medicare beneficiaries, responsibly slows the Medicare growth rate, and pays physicians and all providers fairly. **However, I must stress that we cannot support any new payment system or extended patch that is financed by simply redirecting funds currently supporting other critical health care expenditures, including those that support the nation's teaching hospitals.**

Although the method for physician payment must be changed, it also is important to acknowledge that the current system engenders large administrative costs—both for providers and the government—and that reducing these expenses is a sensible way to reduce Medicare spending. I am pleased that President Obama has ordered each federal agency to review its rules to determine those that can be eliminated, streamlined, or revised as this should result in large savings and reduced burden.

As you know, teaching physicians and hospitals play a critical role in providing care for Medicare beneficiaries. Adequate reimbursement for these clinical services is vital to sustain the education, training, safety net, and community service missions of academic clinical physicians. Teaching physicians and hospitals care for the sickest, most complex Medicare patients and provide primary care, as well as highly specialized services that may not be available elsewhere in the community. Additionally, academic physicians often serve as a resource for other health care providers in communities and across regions, providing consultations and care for Medicare patients who need their specialized expertise, while teaching the next generation of physicians. Without reliable, sufficient, and fair physician payments from Medicare, beneficiaries' access to many of these services could be placed in jeopardy.

The AAMC has long supported replacing the SGR formula with a payment system that, at a minimum, adequately compensates physicians based on such factors as the services provided, complexity of the patients served, and geographic area where the physician practices, while also accounting for increased costs due to inflation. As we continue to strive to create a health care system that improves patient care by providing appropriate, high quality care, we believe an appropriate case management fee in addition to Medicare payments for services may achieve this goal by ensuring and incentivizing coordinated care. Incorporating these preventive medicine incentives through case management payments could help meet the long-term goal of slowing the growth of Medicare expenditures. Finally, as Medicare moves to a new physician payment model Congress should help ease this transition by enacting a period of stable and predictable physician payment updates. This will help ensure that beneficiaries continue to have adequate access and alleviate providers' concerns.

Again, thank you for your leadership in working to address this long-standing problem of replacing Medicare's physician payment system with a sustainable solution. The AAMC looks forward to working with you and Congressional leaders to address this important issue.

Sincerely,

Darrell G. Kirch, M.D.
President and Chief Executive Officer
Association of American Medical Colleges