



AMERICAN COLLEGE OF PHYSICIANS
INTERNAL MEDICINE | *Doctors for Adults*

December 6, 2004

Glenn M. Hackbarth, J.D.
Chair
Medicare Payment Advisory Commission
601 New Jersey Avenue
Suite 9000
Washington, DC 20001

Dear Mr. Hackbarth:

On behalf of the 116,000 physician and medical student members of the American College of Physicians (ACP), I am writing to share with you the College's proposals for reforming the dysfunctional Medicare physician payment system. **ACP believes that the existing payment system suffers from a basic misalignment of financial incentives:**

1. Physicians are penalized for investing in health information technology (HIT) solutions to improve patient care. Current Medicare payment policies do not reimburse for the increased practice expenses and investment of physician and staff time required to convert to systems of care supported by electronic health records. The sustainable growth rate (SGR) will trigger across-the-board cuts that will make it impossible for most office-based physicians to invest in electronic health records. To address this problem, ACP believes that Congress:
 - **Must stabilize Medicare physician payments by replacing the SGR with a formula that links updates to the costs of providing services; and**
 - **Should authorize additional Medicare payments to support the use of electronic medical records and other health information technology to improve patient care.**
2. Primary care services continue to be systematically undervalued. Fewer physicians are choosing to go into the general internal medicine and family practice, at time when *more* primary care physicians should be trained to take care of an aging population with higher incidences of chronic disease. To address this problem, ACP believes that Congress and Centers for Medicare and Medicaid Services (CMS) should:
 - **Expand existing federal demonstration projects to provide financial incentives to primary care physicians for participating in quality**

improvement programs that link HIT with performance measurement and improvement; and

- **Explore adding a severity of care adjustment factor to Medicare payments for office visits of patients with multiple chronic conditions.**
3. Medicare's policy of paying on a per procedure/visit basis fails to recognize physician work that falls outside of the procedure or visit, including work relating to coordination and care of patients with chronic disease. Physicians are not rewarded for achieving quality improvements or system-wide savings that may result from better coordination of care. To address this problem, ACP believes that Congress should:
- **Authorize a care management fee to physicians who take on the responsibility for managing the care of patients with chronic disease using innovative practice models that have been shown to improve quality; and**
 - **Authorize separate payments for e-mail and telephonic consultations based on guidelines on clinical appropriateness.**

Attached to this letter is a summary of the College's specific recommendations. We welcome the opportunity to discuss this further with you and to share several new policy papers that provide a more thorough analysis of the problems and potential solutions. For more information, please contact Bob Doherty, Senior Vice President, Governmental Affairs and Public Policy, for more information about our proposals. He can be reached at 202-261-4530 or by email at rdoherty@acponline.org.

Sincerely,

Charles K. Francis, MD, FACP
President

Attachment

ATTACHMENT

Reforming the Dysfunctional Medicare Physician Payment System: Recommendations to Medicare Payment Advisory Commission December 6, 2004

Stabilizing Payments

1. Reaffirm support for replacing the sustainable growth rate (SGR) with an update formula based on increases in the costs of providing services. It will not be possible for physicians to make the investment in health information technology to support quality improvement if their Medicare payments are cut by four or five percent per year for the remainder of the decade.
2. Urge the Centers for Medicare and Medicaid Services (CMS) to eliminate physician-administered drugs from the SGR, retroactive to 1998. This change will eliminate much of the accumulated “cliff” in Medicare physician payments and substantially reduce the costs of a legislative fix.

Expanding Demonstration Projects on Performance Improvement/Creating Financial Incentives for Use of HIT

1. Recommend that Congress expand the limited authority and funding given to CMS to institute performance improvement demonstration projects under Section 649 of the Medicare Modernization Act. The Section 649 program provides financial incentives to several hundred primary care physicians in four states who agree to acquire health information technology to support quality improvement and have their performance measured based on evidence-based clinical performance measures. ACP believes that Congress should expand upon this program by making it available in all states, opening it up to a larger number of practices in each state, and providing dedicated funding to reimburse physicians for participating in the demonstration programs without being subjected to Medicare’s budget neutrality requirements.
2. Recommend that Congress direct CMS to allow for separate payment of e-mail and telephonic consultations with patients subject to guidelines on appropriateness. Such separate payments should not result in a reduction in the amount that Medicare currently pays for the office visit because these services usually substitute for a visit.
3. Recommend that CMS authorize a separate add-on payment to the Medicare office visit payment when the visit is supported by an electronic medical record that meets certain standards as defined by the Secretary of Health and Human Services. Because health information technology is expected to produce annual savings in the range of \$30 billion or more per year, ACP believes that the office visit add-on payments should not be subject to budget neutrality limits.

Coordinating Care of Patients with Chronic Disease

1. Recommend that Congress authorize CMS to give physicians the option of receiving a management fee for coordinating the care of patients with chronic disease. Physicians who agree to incorporate the Chronic Care Improvement

Model developed by Edward Wagner, MD, FACP would be eligible to receive the care coordination fee plus performance based bonus payments.

2. Examine ways to allow physicians to share in system-wide savings that fall outside the Medicare Part B program. Under current Medicare payment policies, physicians are not permitted to share in the savings associated with reduced hospitalizations, drugs, tests or medical devices associated with better management of patients with chronic disease.
3. Examine the concept of including a severity of care adjustment factor for care of patients with multiple chronic conditions that would be incorporated into Medicare payments for office visits and other evaluation and management services.