

Labor, Consumers, and Purchasers Unite to Support Sustainable Growth Rate (SGR) Payment Reform

November 21, 2006

Dear Senators Grassley, Baucus, Kennedy and Rockefeller & Representatives Thomas, Johnson, Rangel, Dingell, Stark and Waxman:

As representatives of consumers and purchasers of health care, we believe strongly that the system of payment for services provided by physicians is in need of a major overhaul. Rather than promoting better quality, coordination and efficiency of care, the current payment system too often rewards quantity, errors, rework and unnecessary care. Originally intended to control volume of physician services, Medicare's Sustainable Growth Rate (SGR) formula has proved insufficient in achieving even this limited objective.

As Congress debates both short-term and long-term changes to the Medicare reimbursement system, we urge that any relief or adjustments to the 2007 SGR payment formula must go hand-in-hand with measures that accelerate the move toward a performance-based reimbursement system. This system should recognize and reward high quality and efficient performance by individual physicians and physician groups. It should also enable consumers and purchasers to compare the quality and efficiency of physicians. The urgent need to reform payment and market transparency is affirmed by the recent Institute of Medicine report, *Rewarding Provider Performance: Aligning Incentives in Medicare*, as well as options under discussion by MedPAC. Specific elements of the SGR adjustments should include:

- Use 2007 to inaugurate physician payment reform by linking Medicare reimbursement to physician performance.
- Initially reward physicians for agreeing to submit clinical data and publicly release quality and efficiency scores; and then shift to rewarding physicians for outstanding performance and improvement.
- Assure a meaningful and significant initial linkage in 2007 of payment to performance, starting with the entire amount by which payments would otherwise have been reduced under the SGR formula.
- Increase the portion of funds allocated to performance-based payment over time to reach a substantial portion of Medicare payments to participating physicians.
- Evolve performance measures to become more useful to consumers and purchasers of care as performance measurement becomes more sophisticated.

While initially it may be more feasible to weight all measures equally within a specialty and assure equal percent bonus payments for all medical specialties, we believe that CMS should be authorized to over time allocate more monetary weight to measures and specialties offering more leverage on comprehensive affordability and quality, such as care coordination measures and primary care.

We believe that the sooner we take steps toward highly performance-sensitive physician payment reform, the sooner Americans will reap the benefits of higher quality and more efficient health care. We appreciate your consideration of our suggestions.

Sincerely,

AFL-CIO
American Benefits Council
Bridges to Excellence
Carlson Companies
Center for Medical Consumers
Childbirth Connection
Community Health Foundation of Western & Central New York
Consumers Advancing Patient Safety
Consumers' CHECKBOOK/Center for the Study of Services
Consumers Union
Employers' Coalition on Health
Employer Health Care Alliance Cooperative
ERISA Industry Committee
General Electric
General Motors Corporation
HealthCare 21 Business Coalition
Health Policy Corporation of Iowa
Hotel Employees and Restaurant Employees International Union Welfare Fund
HR Policy Association
Iowa Health Buyers Alliance (IHBA)
MidAtlantic Business Group
Motorola
National Business Coalition on Health
National Partnership for Women and Families
National Retail Federation
Nevada Health Care Coalition
New Jersey Health Care Quality Institute
New York Business Group on Health
Oregon Coalition of Health Care Purchasers
Pacific Business Group on Health
Service Employees International Union
Society for Human Resource Management
St. Louis Area Business Health Coalition
The Leapfrog Group
Xerox

cc: Members of Senate Finance Committee
Members of House Energy & Commerce Committee
Members of House Ways & Means Subcommittee on Health
Leslie Norwalk, CMS Acting Administrator
Herb Kuhn, Director, CMS
Michael T. Rapp, MD, JD, FACEP, Director, CMS
Barry Straube, MD, Director & Chief Clinical Officer, CMS
Julie Goon, Special Assistant to the President for Economic Policy
Al Hubbard, Chair of National Economic Council
Carolyn Clancy, MD, Director, AHRQ