

Congress of the United States

Washington, DC 20515

October 28, 2003

The Honorable J. Dennis Hastert
Speaker of the House
U.S. House of Representatives
H-232, the Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, the Capitol
Washington, D.C. 20515

Dear Speaker Hastert and Minority Leader Pelosi:

As we work to reach agreement with the Senate on a Medicare prescription drug and reform bill, we must not forget that our nation's Medicare physicians are facing yet again another massive payment cut expected to come into effect January 1, 2004. If differences are not worked out before the end of this session, we respectfully request that the House take up independent legislation that would prevent the expected 4.2% cut in physician payments and address the fundamental flaws in the Medicare physician payment update formula that has been causing dramatic reductions in physician payments for the past several years.

Long-term, systemic flaws in the Medicare physician reimbursement formula include, but are not limited to:

- ▶ Linking Medicare physician fees to the Gross Domestic Product, which does not accurately reflect changes in the cost of caring for Medicare patients;
- ▶ Including the costs of Medicare-covered outpatient drugs and biologicals in setting the expenditure target for physicians' services, even though these items are not physicians' services and therefore, under the formula, yet lead to decreases in the payment update;
- ▶ Inadequately accounting for changes in the volume of services provided to Medicare patients due to new preventive screening benefits, national coverage decisions that affect the demand for services, a greater reliance upon drugs to treat illnesses, and a greater awareness of covered health benefits and practices due to educational outreach efforts; and
- ▶ Improperly accounting for the costs and savings associated with new technologies.

An additional problem is the current update formula's built-in "zero tolerance" for variance between growth in the general economy and growth in the medical sector, so one year of uneven growth requires an immediate recoupment and a potentially large reduction in the following year's update. Furthermore, the adjustments made in accordance with the formula are asymmetrical and can result in a cut in the update as great as 7 percent, but allow a potential increase of only 3 percent, creating unstable and inequitable swings in reimbursement.

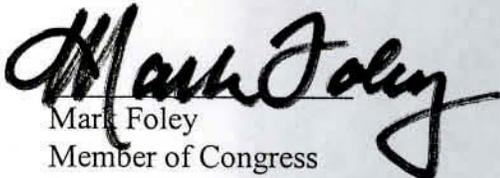
As a result of these flaws, the Medicare payment update was reduced by 5.4 percent in 2002, and recent congressional action (H.J.Res. 2) narrowly averted another across-the-board reduction of

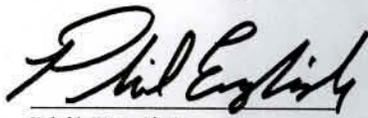
4.4 percent. In addition, Medicare payments for physician services are scheduled to drop by 4.2 percent in 2004, according to a proposed fee schedule published by the Centers for Medicare and Medicaid Services (CMS) and will continue dropping until 2008 unless we enact legislation to reduce or eliminate this cut and address the problems with the update formula. The prospect of continued payment reductions under the Medicare physician update formula is threatening to destabilize the program by forcing an increasing number of physicians to reconsider their willingness to treat Medicare patients.

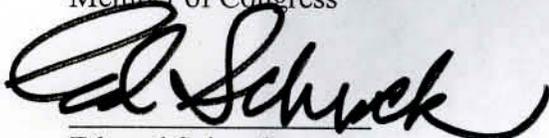
We must address this problem immediately before it becomes even more volatile and costly to correct.

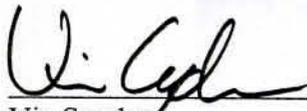
Thank you for your consideration.

Sincerely,

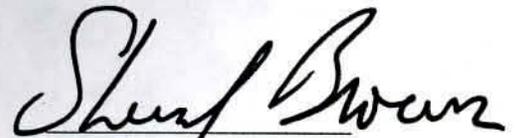

Mark Foley
Member of Congress

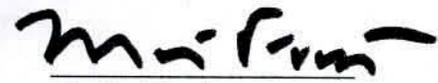

Phil English
Member of Congress

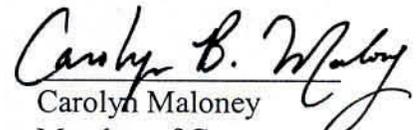

Edward Schrock
Member of Congress

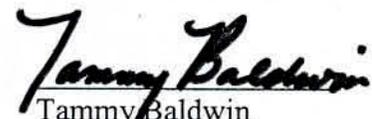

Vic Snyder
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