



STATEMENT

of the

American Medical Association

for the Record

**House Energy and Commerce Committee
Subcommittee on Health**

**RE: SGR: Data, Measures and Models;
Building a Future Medicare Physician Payment
System**

February 14, 2013

**Division of Legislative Counsel
202 789-7426**

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The American Medical Association (AMA) is thankful to Chairman Pitts, Ranking Member Pallone, and all of the Members of the Subcommittee for holding this hearing today on *SGR: Data, Measures and Models; Building a Future Medicare Physician Payment System*. We applaud your leadership in advancing Medicare physician payment and delivery reform efforts.

The AMA also appreciates the opportunity to present our views to the Subcommittee today. We now have a unique opportunity to improve and restructure care delivery and payment policy for patients across the country. Many ground-breaking innovations are already underway, and it is critical that we continue on this path. Yet, successful reforms must rest on a strong Medicare physician payment foundation. Therefore, it is imperative that the flawed Medicare physician payment formula, known as the sustainable growth rate (SGR), be repealed and replaced with an alternative, more viable system. The SGR has been plaguing patients and physicians in Medicare and the TRICARE military health program for over a decade, and its repeal is long past overdue. Now is the time to end this failed policy once and for all and protect access to care for seniors now and in the future. The Congressional Budget Office (CBO) recently estimated that the cost of permanently replacing the SGR has decreased dramatically. The new cost of freezing payments for ten years is \$138 billion, more than \$100 billion less than the previous projection. The rate of Medicare spending growth declined compared to historical trends, and spending for physician services affected by the SGR is projected to be far less than previously estimated. **We urge the Subcommittee and Congress to take advantage of the fact that the cost of repealing the SGR is lower than it has been in many years and move promptly to replace the formula with a new system that encourages quality care while reducing costs.**

As the Subcommittee explores effective options for new payment and delivery reform models that can form the basis for a new Medicare physician payment system, the AMA is pleased to submit to the Subcommittee the attached white papers developed by the AMA's Innovators Committee. Formed in June 2011, the Innovators Committee is a group of innovative physicians tasked with developing resources to help their colleagues from various specialties implement effective delivery and payment reforms that are applicable to their practice setting and service mix. Two early resources developed by the Innovators Committee to facilitate payment and delivery reform models include:

- *The Case for Delivery Reform—Implementing Innovative Strategies in Your Practice*, which offers practical guidance to physicians on how to implement delivery reforms by describing their own experiences in the form of case studies.
- *Physician Payment Reform—Early Innovators Share What They Have Learned*, which assesses the strengths and weaknesses of various payment models and offers practical implementation guidance for physicians.

The Innovators Committee will continue its important work and outreach to physicians across the country by sponsoring a series of seven webinars (see below) that will offer practical guidance to physicians on how to implement payment and delivery reforms. These webinars, the first two of which were held in 2012, will continue through the first half of 2013.

1. Here It Comes...Delivery Reform, Payment Reform, and Everything In between (November 27, 2012). Archived at <https://cme.ama-assn.org/Activity/1263282/Detail.aspx>
2. You Can't Do It All So Don't Try: Optimizing Practice Workflow to Increase Value (December 11, 2012). Archived at <https://cme.ama-assn.org/Activity/1284669/Detail.aspx>
3. Is Employment the Only Alternative? Improving Care Coordination through Clinical Integration (January 31, 2013)
4. Do I Need a Statistician? Benchmarking Practice Performance to Achieve Value (February 27, 2013)
5. Delivery Reform Implemented? Payment Models that Reward Your Performance (April 2, 2013)
6. Building New Payment Models and Getting Paid (TBD)
7. The Final Piece of the Puzzle: Customizing the Payment Model to Fit Your Practice (TBD)

The AMA appreciates the opportunity to provide our comments on these critical matters, and we look forward to working with the Subcommittee to repeal the flawed SGR formula and assist in the transition to a new health care payment and delivery system that provides more coordinated care, improves health outcomes, and slows the growth of costs in the Medicare program.