

**Ranking Member Frank Pallone, Jr.  
House Energy and Commerce Committee  
Subcommittee on Health Hearing  
“Reforming SGR: Prioritizing Quality in a Modernized Physician  
Payment System”  
June 5, 2013**

*Statement for the Record*

Thank you Chairman Pitts. I commend you for your continued commitment to addressing Medicare’s flawed sustainable growth rate (SGR) payment model. Over the past few weeks, our staff have come together and had meaningful conversations on this topic. While I have not signed on to the discussion draft before us today, I can assure you that the Democratic staff are still working to find a permanent fix to the SGR, and look forward to continuing to work with the Republican staff to do so.

As I have said before, fixing the SGR system is one of my top priorities. For too long, Congress has passed short-term fixes to

override arbitrary cuts to physician payments generated by the SGR formula. It is not fair for physicians or their beneficiaries to continually be faced with uncertainty, and these short-term fixes are not financially sustainable. It is time for us to come together in a bipartisan manner to repeal and replace the SGR formula.

We can all agree that the current SGR system is unstable, unreliable, and unfair. I also believe that, broadly, we all have the same goals for what an SGR fix will look like. However, getting these goals into legislative language is a complicated task. With so many moving parts, it is critical that we fully understand the consequences of each provision and gather views from all stakeholders. This is not a process that should be rushed. Let's work together to make sure we get this right.

A new payment model should focus less on volume of services provided, and instead rely upon improved outcomes, quality, safety,

and efficiency. By focusing on these goals, we can improve patient experience and reduce the growth in health care spending simultaneously. While there may still be a need for a fee-for-service option within the future payment system, a new system must better encourage coordinated care while incentivizing prevention and wellness within the patient.

The Affordable Care Act established a number of new provider arrangements under Medicare, such as new Accountable Care Organizations (ACOs), which encourage cooperation and coordination among providers, hospitals, and suppliers, so that patients receive high-quality, efficient, and cost-effective care. As we work to replace the SGR, we should look to these programs as a starting point for developing a payment model that moves away from traditional fee-for-service and toward a system that focuses on quality and outcomes.

I look forward to hearing from our witnesses today about their perspectives on the best way to prioritize quality and address the flawed SGR, and I look forward to continuing to work with my colleagues and all stakeholders to finally find a permanent fix.

Thank you.