



221 MAIN STREET, SUITE 1500
SAN FRANCISCO, CA 94105
PBGH.ORG

OFFICE 415.281.8660
FACSIMILE 415.520.0927

Statement for the Record

Pacific Business Group on Health

**Hearing before the House Committee on Energy and Commerce
Subcommittee on Health**

“Reforming SGR: Prioritizing Quality in a Modernized Physician Payment System”

June 5, 2013

House Energy & Commerce – Health Subcommittee Hearing
June 5, 2013
Testimony

Good morning. My name is Bill Kramer, and I serve as Executive Director for National Health Policy at the Pacific Business Group on Health. On behalf of PBGH, I would like to express our deep appreciation to Chairman Joe Pitts, Vice Chairman Dr. Michael Burgess, and Ranking Minority Member Frank Pallone for convening today's hearing on physician payment policy under Medicare. I want to applaud the Committee for stepping up to the challenge of finding a solution on this very important issue.

The Pacific Business Group on Health represents large employers who want to improve the quality of health care and moderate cost increases. PBGH consists of 60 member companies, with employees in all 50 states, that provide health care coverage to 10 million Americans and their dependents. Our members include many large national employers such as GE, Walmart, Boeing, Tesla, Target, Disney, Intel, Bechtel, Chevron, Wells Fargo and Safeway, as well as public sector employers such as CalPERS and the City and County of San Francisco.¹ The basis for my testimony today is our members' significant experience in designing and implementing innovations in provider payment and care delivery. We believe the lessons learned in private sector purchasing can be applied to Medicare.

There are three key points that I want to make in today's testimony:

1. Businesses have a big stake in how Medicare works.

2. Large employers want to see physician payment directly tied to the value of the services that are provided.
3. We need new and better performance measures to support a new physician payment system.

First, why should businesses care about how Medicare works?

For decades, large employers have been frustrated by the rising costs and inconsistent quality of health care, and they know we need to change the way we pay providers. Large employers have supported innovative approaches to physician payment, such as the Intensive Outpatient Care Program piloted by Boeingⁱⁱ and adopted by other large employersⁱⁱⁱ. **Another example is the Hill Physicians Medical Group in California, in which a significant portion of physician payment is based on value, not just the volume of services.^{iv}** Large employers know, however, that these innovations do not have the scale to drive system-wide change and improve health care across the nation. We need America's largest health care purchaser, the federal government, to join our efforts and apply its purchasing strategies as purposefully as our businesses do.

Second, large employers want to see physician payment directly tied to the value of the services that are provided -- clinical quality, patient-reported outcomes, and total cost of care. We need to replace Medicare's current fee-for-service system with payment based on performance, with the goal of achieving measureable improvements in quality and affordability.

The new physician payment system should encourage individual as well as group accountability. Although team-based care is often very effective, patients are most concerned about the performance of individual physicians. I recently had surgery to repair a broken bone in my face – an injury resulting from an elbow to the eye during a pick-up basketball game. While I was pleased to know that I would receive care within a large, high quality health care system, what I really wanted to know was the track record of the surgeon. What was his success rate? How many infections or post-surgical complications did his patients have? By far the most important thing to me was that surgeon’s performance record.

Third, we need to develop more and better performance measures. Among the nearly 700 measures endorsed to-date by the National Quality Forum, the large majority are clinical process or structural measures.^v While these can be valuable for quality improvement initiatives by physicians, they do not provide information about the things that patients and employers care about most. We strongly recommend that Congress provide support for the rapid development and use of better performance measures, including patient-reported outcomes, patient experience of care, care coordination, appropriateness of care, and total resource use. The selection of these measures should be based on input from physicians but ultimately be determined by those who receive and pay for care.

In summary,

1. Businesses have a big stake in how Medicare works, and Medicare should adopt successful purchasing practices from the private sector.

2. Large employers want to see physician payment directly tied to the value of the services that are provided -- clinical quality, patient-reported outcomes, and total cost of care. PBGH and its member companies strongly support the replacement of the SGR, but only if the new payment system results in significant improvements in health care quality and affordability.
3. Congress should invest in the development of new and better performance measures to undergird the new payment system. The selection of these measures must meet the needs of those who receive and pay for health care – patients, employers and taxpayers.

In other words – *Put patients first, help them identify the best doctors, and reward those doctors.*

Our nation desperately needs to improve its health care system, and the SGR replacement is a rare opportunity to give it a shot in the arm. The Pacific Business Group on Health applauds the Committee’s efforts to get it right, and we offer our real-world experience and expertise to you in advancing this important initiative.

ⁱ Full list of PBGH members can be found at <http://www.pbgh.org/about/members>.

ⁱⁱ Milstein, A and Kothari P, Health Affairs, October 20, 2009. Accessed at <http://healthaffairs.org/blog/2009/10/20/are-higher-value-care-models-replicable/>.

ⁱⁱⁱ Additional information about the IOCP program can be found at <http://www.pbgh.org/iocp>.

^{iv} T. Emswiler and L. Nichols, Hill Physicians Medical Group: Independent Physicians Working to Improve Quality and Reduce Costs, The Commonwealth Fund, March 2009.
http://www.commonwealthfund.org/~media/Files/Publications/Case%20Study/2009/March/Hill%20Physicians%20Medical%20Group/1247_Emswiler_Hill_case_study_rev.pdf

^v “Developing a Viable Physician Payment Policy”. Statement of: Frank G. Opelka, MD, FACS, National Quality Forum. House Ways & Means Committee, Health Subcommittee hearing, May 7, 2013.
<http://waysandmeans.house.gov/calendar/eventsingle.aspx?EventID=332173>.