November 18, 2013

The Honorable Max Baucus  The Honorable Orrin Hatch
Chairman, Senate Finance Committee  Senate Finance Committee

The Honorable Dave Camp  The Honorable Sander Levin
Chairman, Ways & Means Committee  Ranking Member, Ways & Means Committee

The Honorable Kevin Brady  The Honorable Jim McDermott
Chairman, Health Subcommittee  Ranking Member, Health Subcommittee
House Ways and Means Committee  House Ways and Means Committee

Please Include the H.R. 2810 Medicare Physician Locality Reform
In the House-Senate Medicare Payment Reform Legislation
with a Study to Help Additional States

Dear Chairman Baucus and Senator Hatch, Chairman Camp, Chairman Brady and Representatives Levin and McDermott:

The undersigned State Medical Associations are writing to urge you to address the outdated Medicare physician payment localities in your comprehensive Medicare SGR payment reform legislation. Specifically, we are asking you to include the H.R. 2810 California locality provision with a new amendment that directs the Secretary to model and develop long-term approaches to transition other negatively impacted states to new localities to improve payment accuracy.

It meets the goals of your national approach to enact comprehensive Medicare reform.
Comprehensive Reform Must Achieve Regional Payment Accuracy

Physician Payment Regions Have Not Been Updated in Two Decades

One of the stated goals of your Medicare legislation is to improve payment accuracy. As you know, Medicare updates the hospital Metropolitan Statistical Area (MSA) payment regions annually but has not updated the county-based physician payment regions in nearly two decades. According to recent studies by the Institute of Medicine, GAO, Urban Institute, and MedPAC, updating the physician payment regions is long overdue and will improve payment accuracy by ensuring that physicians are paid according to their local costs to provide care. GAO reports that physicians in 447 counties are paid inaccurately by Medicare—their payments differ by more than 5% from their local costs.

Over the last two decades, many areas across the nation that were once rural have become high-cost urban regions. For instance, San Diego is now the 6th largest city in the U.S. yet it is still designated by Medicare as rural. San Diego physicians and patients forego $26 million in Medicare funding each year because of the inaccurate rural designation. Physicians and seniors in Florida forego $65 million in funding. Certain California regions forego $54 million.

Texas has at least seven counties where physicians are underpaid by up to 8.7%. Michigan has seven counties that are up to 6% underpaid. Physicians in fourteen California counties are underpaid by up to 10% and physicians in nine Virginia counties are underpaid by up to 15%. Medicare has not kept pace with the regional changes in practice costs and demographics and has failed its responsibility to keep the regional designations current.

States with the highest county payment discrepancies between their local costs and Medicare geographic payments, include CA (-9.7%), FL (-4.1%), IL (-12.4%), MD (-7.7%), MI (-6.2%), NY (-2.1%), NJ (-2.7%), TX (-8.7%), and VA (-15.3%). These inaccurate payments directly impact physician decisions to practice in certain areas and harm access to care.

Long-Term California Update with a California “Pay For”

We request that you to adopt the long-term approach included in the House Energy Commerce Committee Medicare bill, H.R. 2810, which updates the California payment regions to MSAs over ten years starting in 2017. A California funding source has been identified to cover the costs.

Assistance for Other Negatively Impacted States

We are also urging you to include a new provision that would direct the Secretary of HHS to develop and model long-term approaches to transition other states to updated regions to improve payment accuracy. The Secretary would be directed to work with State Medical Associations to develop such long-term plans and report back to Congress.

This proposal meets the national perspective of your legislation and your overall goal to improve Medicare payment accuracy. We urge you to take the first steps to resolve this significant physician
payment issue in your comprehensive Medicare payment reform bill. Your legislation represents our only opportunity to begin to address this long-standing problem.

Sincerely,

Richard Thorp, MD
President, California Medical Association

Alan Harmon, MD
President, Florida Medical Association

Ruth J. Schulze, MD
President, Medical Society of New Jersey

Sam Unterricht, MD
President, Medical Society State of New York

Stephen L. Brotherton, MD
President, Texas Medical Association

Ronald Dunlap, MD
President, Massachusetts Medical Society

Kenneth Elmassian, MD
President, Michigan Medical Society