American College of Surgeons

Washington Office: 20 F Street, NW Suite 1000 • Washington, DC 20001 • 202-337-2701 • FAX 202-337-4271
e-mail: postmaster@facs.org ACS website: www.facs.org

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April 28, 2011

The Honorable Fred Upton
Chairman
Energy and Commerce Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Upton:

On behalf of the more than 75,000 members of the American College of Surgeons (ACS), I am writing in response to your letter dated March 28, 2011 requesting suggestions for developing a long-term solution to the Medicare physician payment system. The ACS appreciates the Committee's recognition that the sustainable growth rate (SGR) is a failed system for calculating Medicare reimbursement for physician services and strongly supports the effort to find more innovative models of physician payment.

The current payment system for Medicare is unsustainable for patients, physicians, and for our health care system as a whole. The first step towards reforming it must be to immediately eliminate the SGR and include a realistic budget baseline for future Medicare payment updates, which accurately reflects the anticipated costs of providing physicians with positive updates under a new update system in lieu of SGR-related cuts, into the federal budget. Following the elimination of the SGR, we believe it is essential to provide a transition period of up to five years that would allow for the testing, development and future implementation of a wide range of alternative payment models aimed at improving quality and improving the integration of care.

During the transition period, we propose that Congress replace the SGR with a system of separate service category growth rates (SCGR) that recognizes the unique nature of the various types of services that physicians provide to their patients, while providing additional dollars for primary care. Unlike the SGR, which bases reimbursement on the overall spending on all physician services, the SCGR would establish a system that determines reimbursement based on the spending and volume growth among like services. ACS believes that the SCGR would have distinct advantages as a transition model to more innovative reforms. First of all, it recognizes that all physician services are not alike, and lower growth services, such as primary care and surgery, would no longer simply be subject to the blunt cuts of the SGR. Second, under the SCGR, efforts to promote specific services, such as primary care, would be greatly simplified, and the proposal would promote increased payments for primary care without requiring corresponding Medicare cuts for other services. Most importantly, the SCGR would support efforts to promote improved quality and better value by recognizing that these goals will look different and will be achieved in different ways for different services. Also, as various payment models are tested, the SCGR could enable Congress and CMS to study and better understand how these physician quality improvement efforts affect spending for hospitals, skilled nursing, home health and other service areas in the Medicare program.

The ACS strongly believes that a new delivery system must focus on promoting quality care, improving patient access, and, ultimately, reducing cost. A partnership among patients, physicians, hospitals, and payers is essential to develop a successful delivery system. The testing, development, and future implementation of a wide-range of alternative payment models such as accountable care organizations (ACOs) and the bundling of payments for care received from various providers for a particular condition over a set period of time is critical to reaching these goals. We believe that in order for any alternative payment model to be successful, they should achieve the following:

- Ensure that quality and safety are the highest priorities for patient care;
- Require that specific quality metrics are achieved before any savings can be shared among any payers or providers;
- Align payment models with proven quality improvement programs;
- Account appropriately for risk factors and variability that may impact cost of care or treatment, including age, health status, and other factors;
- Maintain primacy of physician-leadership within a highly qualified team of health care professionals to work with patients in determining evidence-based courses of clinical care;
- Acknowledge that surgical care is delivered in a variety of geographical locations and facilities and that innovative responses may be required to address patient needs in urgent or unique situations;
- Preserve the ability of a surgeon to recommend the surgical treatment plan that best meets the patient's needs as guided by best practices and evidence-based medicine;
- Ensure clearly-defined mechanisms for appropriate distribution of shared risk and savings among patients, physicians, and health care team members.

The ACS is currently analyzing the role of surgery in bundled payments. The primary goal of bundled payment is to improve the quality and coordination of patient care through the alignment of financial incentives of surgeons and hospitals. One approach to bundled payment combines the payments of surgeons and hospitals for a defined episode of inpatient surgery into one single fee. Instead of being paid for each visit or procedure, surgeons and hospitals would be paid for all services provided to a patient related to a particular condition, depending on how the episode is structured. In order for a bundled payment model to be successful, certain safeguards must be included. The quality of patient care must be ensured and physicians must be involved in decisions about how and to who bundled payments are distributed. The ACS is supportive of efforts to coordinate patient care, improve quality and reduce adverse events. We view bundled payment as a potential opportunity to further these goals.

Finally, and most importantly, the ACS strongly believes that improving quality offers the best chance of transforming our health care system in a way that expands access and improves outcomes while slowing the accelerating cost curve. Quite simply, improving quality leads to fewer complications, and that translates into lower costs, better outcomes and greater access. The ACS has proven physician-led models of care, such as the National Surgical Quality Improvement Program (NSQIP) that measure and improves quality, increase the value of health care services and reduce costs.

The ACS is dedicated to improving the care of the surgical patient and to safeguarding standards of care in an optimal and ethical practice environment and we appreciate your dedication to the challenges facing America's physicians and the patients that our members serve. The ACS looks forward to working with you to find a meaningful and sustainable solution to Medicare's current payment system that improves the quality and value of the care our physicians provide.

Sincerely,

L.D. Britt, MD, MPH, FACS
President, American College of Surgeons