

September 24, 2007

Dear Senator:

The surgical organizations listed below urge you to act quickly to address the upcoming Medicare physician payment cuts. It is imperative that the Senate pass legislation that includes two years of positive Medicare fee schedule updates that are fully funded, as included in legislation that passed the House of Representatives. In addition, we urge the Senate to take steps toward true Medicare physician payment reform by replacing the Sustainable Growth Rate (SGR) system that is causing these annual across-the-board disruptions in physician payments with a more reasonable and truly sustainable update system.

In place of the SGR, we urge you to support a system of separate physician service category targets to use in calculating Medicare payment updates. The service categories include: 1) evaluation and management services; 2) major procedures; 3) anesthesia services; 4) imaging and diagnostic services; and 5) other procedures and services. (In the House bill, the evaluation and management services category was subdivided to create a separate service category for "primary and preventive care.")

Separate service category targets would not subject relatively low-volume growth services, such as major surgical care and primary care office visits, to the blunt payment cuts produced by the SGR. There are over 7,500 physician services listed in the Medicare fee schedule and payment rules for different types of service vary significantly, which has an impact on spending growth. For example, while most physician services are paid on a discrete service-by-service basis, major procedures are reimbursed as "global" services for which a single payment covers the operation, certain preoperative services, and follow up care for a specific period of time—usually for 90 days. Recent criticisms that the current payment system pays physicians "more to do more" are not applicable to global services.

In addition, different spending and utilization trends will be easier to identify with separate service category targets, providing physicians and policymakers with an opportunity to study and understand those differences so future payment policies can be developed and targeted either to allow higher growth rates or to constrain spending, as appropriate, to meet beneficiary needs. Quality improvement initiatives and incentive programs can be more targeted and better reflect differences in the way various types of services are provided.

Once again, we urge the Senate to pass legislation that provides for two years of fully funded positive updates in Medicare physician payments, and to initiate meaningful program reforms by replacing the current SGR with separate service category targets. Representatives of our organizations would be pleased to

share additional details of our payment reform proposal, and we look forward to continuing to work with the Senate in its efforts to resolve this critical problem.

Sincerely,

American Academy of Ophthalmology  
American Academy of Otolaryngology—Head and Neck Surgery  
American Association of Neurological Surgeons  
American Association of Orthopaedic Surgeons  
American College of Osteopathic Surgeons  
American College of Surgeons  
American Osteopathic Academy of Orthopedics  
American Society of Cataract and Refractive Surgery  
Congress of Neurological Surgeons  
Society of Gynecologic Oncologists  
Society for Vascular Surgery  
The Society of Thoracic Surgeons