

----- Original Message -----

From: "Representative Adam Smith"

To: <[Sandra Englund](mailto:Sandra.Englund)>

Sent: Tuesday, January 02, 2007 4:23 PM

Subject: Re: IMA MAIL ON OTHER

January 2, 2007

Mrs. Sandra Englund

Dear Sandra,

Thank you for contacting me about Medicare reimbursement rate cuts. I appreciate hearing your thoughts on this matter and I would like to take this opportunity to respond.

As you probably already know, Medicare law specifies a formula for calculating the annual update in payments for physicians' services, which also includes payments to TRICARE providers. The formula resulted in a negative update in payments per service for 2002. Additional reductions were slated to go into effect in 2003 -2006, but were prevented by Congressional action. The Medicare Trustees have projected that Medicare payments to physicians, nurse practitioners, and other health professionals will be cut by about 26% from 2006 through 2011. Unless Congress acts, a cut of 5.1% will be imposed beginning on January 1, 2007. These cuts will critically impact access to medical services for our nation's senior and disabled patients. The expected cuts results from an inherently flawed formula that cuts physician payments if Medicare spending on their services exceeds a target amount. The target, called the sustainable growth rate (SGR), is linked to the gross domestic product and penalizes physicians and other practitioners for volume increases that they cannot control. I agree that Congress must take action to fairly reimburse physicians for Medicare patients and previous Congressional action was critical to ensure that patients have access to a quality Medicare program with the providers they choose.

I share your concerns that these proposed cuts would have a

negative impact on healthcare access for Medicare beneficiaries and military TRICARE patients. Congress must reexamine the reimbursement rate formula in order to ensure that states with efficient health care systems, such as Washington, are reimbursed at a fair rate. You will be pleased to learn that I am cosponsor of HR 2356, the Preserving Patient Access to Physicians Act. Introduced by Rep. Claw Shaw (FL), this bill would set the Medicare physician payment update for 2006 at no less than 2.7%. The 2.7% follows the advice of the Medicare Payment Advisory Commission (MedPAC), which said in its March 2005 Report to Congress, that Congress should use a formula that would increase 2006 payments for physicians by 2.7%. In addition, HR 2356 would permanently replace the SGR with the MedPAC formula, beginning in 2007. MedPAC has been recommending since 2001 that the flawed SGR formula be replaced with one based on increases in physician practice costs minus a productivity adjustment. This bill uses such a formula, which will produce an update equal to the Medicare Economic Index (MEI), which is the government's conservative index of practice cost inflation. The 2005 Medicare Trustees Report projects that the 2007 MEI will be 2.6%.

HR 2356 has been referred to the House Ways and Means Committee and the Subcommittee on Health in the House Energy and Commerce Committee pending further review. Please be assured that I will continue to work with my colleagues to see that this bill makes it to the House floor for a vote before the end of the 109th Congressional session in 2006.

You will also be pleased to learn that I, along with other members of the Washington State Delegation, sent a letter to the Chairman and Ranking Members of both the House Energy and Commerce Committee and the House Ways and Means Committee urging them to take action to fix the Medicare reimbursement rates and stop the proposed cuts that were set to go into place on January 1, 2006 that would negatively impact physicians and Medicare beneficiaries. As you know, Washington State has some of the lowest physician reimbursement rates in the nation and these proposed cuts would have devastating effects on our state's physicians and their ability to provide quality care to Medicare

beneficiaries.

It was my hope that these Committees and Congress would have taken action before the end of 2005, but unfortunately, that did not happen. HR 2356 or any other legislation dealing with Medicare reimbursement rates were not brought to the House floor for a vote before the end of 2005.

However, a temporary "fix" was included in the FY06 Budget Reconciliation Conference Report. On November 7, 2005, Representative Jim Nussle introduced H.R. 4241, a budget reconciliation bill. After weeks of debate, certain proposals, such as drilling in the Arctic National Wildlife Refuge were removed before the bill came before the full House. H.R. 4241 was passed by a vote of 217-215 on November 18, 2005. The bill included spending cuts of \$50 billion over five years. The cuts to mandatory spending primarily targeted four committees: Agriculture, Education and the Workforce, Energy and Commerce, and Ways and Means.

Following the House passage of H.R. 4241 in November, the Senate passed a similar version of this legislation with minor changes. The House did not have the opportunity to consider the Senate's changes before the end of 2005; however, the House considered the Senate version (S.1932) on February 1, 2006. Incorporated in this final version are cuts to Medicaid, Medicare, Student Aid programs, and other safety net programs serving vulnerable populations of foster children, single-parent families, low-income seniors, and disabled individuals. The conference report also included a "fix" for proposed 4.4% Medicare reimbursement rate cut by freezing payments for 2006 at the 2005 payment level, at a cost of \$7.3 billion over five years. While I was pleased to see something done to remedy this problem and I support this particular provision, I did not support the overall FY06 Budget Reconciliation conference report because of the drastic cuts to the programs I mentioned above.

Please be assured that I support fixing the current Medicare reimbursement system, which is why I am cosponsor of HR 2356. I was disappointed this temporary fix was included in a bill that

had so many other cuts to critical programs and flaws that made it very difficult for me to support passage of this bill. On February 1, 2006, this bill passed the House by a vote of 216-214.

Like you, I am concerned that the fix Congress implemented was short term and if Congress fails to act by the end of the year, physicians are set to receive another reimbursement rate cut in January 1, 2007. Certainly as the FY07 budget process continues, I will persist in finding a more long-term or permanent solution to this annual crisis.

In another attempt to rectify this Medicare reimbursement rate inequity, Senator Patty Murray and I have introduced the MediFair Act of 2005, H.R. 868 in the House and S. 411 in the Senate. This legislation would raise Washington State's Medicare reimbursement rates to the national average and would ensure that every state receives at least the national average of per-patient spending. The MediFair Act ensures that Washington State's seniors are on par with seniors around the country and stops punishing the state's health care system for providing efficient, quality care.

Since Medicare + Choice reimbursement rates are calculated based on the fee for service reimbursement rates, Medicare + Choice reimbursement rate would also see a substantial increase. This would hopefully give more Washington seniors the opportunity to participate in this program should they choose too. The bill also called for the Centers of Medicare and Medicaid (CMS) to reexamine the reimbursement rates of those areas that are significantly above the national average. Seniors of Washington state should to have access to the quality medical services they need at an affordable price.

Healthcare issues are a priority for me this Congress and I will work hard for further regional equity through Medicare reform along with increases in across-the-board reimbursement rates. Again, thank you very much for contacting me on this important issue. I appreciate hearing from you, and please do not hesitate to contact me if you have any additional questions or concerns.
Sincerely,

Adam Smith
Member of Congress