



Critical Call to Action on Medicare Physician Payment

BACKGROUND

The House and Senate passed legislation reauthorizing the State Children's Health Insurance Program (SCHIP). The House bill, H.R. 3162, the Children's Health and Medicare Protection Act (CHAMP) includes multiple Medicare provisions of interest to physicians. The CHAMP Act contains significant funding (\$20+ billion over 5 years) to replace physician payment cuts of 15 percent scheduled for 2008 and 2009 with two years of 0.5 percent positive updates. The AMA is also aggressively lobbying to address concerns with physician owned hospital and imaging provisions. To provide the necessary budget offset, the House bill reduces overpayments to private insurance companies in the Medicare Advantage program.

The Senate has not taken any action to replace the 2008 and 2009 cuts with positive updates. A number of Senators have expressed their concerns about the House provisions that reduce overpayments to Medicare Advantage plans. In September, House and Senate negotiators will begin the process of resolving differences between their respective versions of legislation to reauthorize SCHIP.

Please contact your Senators and urge them to take immediate action to provide positive Medicare physician payment updates for 2008 and 2009 in the final SCHIP reauthorization legislation.

Below are key points to include in meetings, letters, or physician grassroots contacts with Senators:

- Due to last year's action to avert a 5 percent cut, physicians now face Medicare payment cuts of 10 percent effective January 1, 2008.
- Over the next nine years, physician practice costs will increase 20 percent, while Medicare physician payments are scheduled to be slashed by approximately 40 percent.
- Patients' access to care is in jeopardy. According to a 2007 AMA survey, 60 percent of physicians said next year's projected 10 percent cut will force them to limit the number of new Medicare patients they can treat.
- Congress should not continue overpayments to Medicare Advantage plans while physicians in traditional Medicare face payment cuts. Traditional Medicare covers 81 percent of beneficiaries, while Medicare Advantage covers only 19 percent.
- AARP, MedPAC and the AMA all agree it is time to level the playing field, avert physician payment cuts and provide doctors with positive updates that reflect increases in medical practice costs

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MEDICARE HAS NOT COVERED INCREASES IN MEDICAL PRACTICE COSTS FOR THE LAST SIX YEARS

- The Medicare conversion factor in 2007 is about the same as it was in 2001. Practice costs for equipment, office rent, staff and new technology are steadily rising. Physicians, like any other business, cannot sustain their practices if payments fail to cover overhead costs.
- Medicare payment cuts thwart the adoption of health information technology and quality improvement initiatives.

PHYSICIANS FACE DRASTIC CUTS WHILE OTHER MEDICARE PROVIDERS RECEIVE AUTOMATIC ANNUAL UPDATES

- Nursing homes and hospitals are scheduled to receive a 3.3 percent update in 2008. This is on top of approximately 3 percent in automatic annual updates they have received since 2004.
- Medicare Advantage plans will receive payment increases as high as 5.7 percent in 2008.

OVERPAYMENTS TO MEDICARE ADVANTAGE PLANS DRIVE-UP COSTS FOR THE ENTIRE MEDICARE PROGRAM

- Under current law, Medicare Advantage plans are, on average, receiving overpayments of 112 percent of the cost of traditional Medicare fee-for-service per enrollee. And, a significant number of plans are paid from 120% to more than 150% of traditional Medicare.
- Medicare Advantage plans cost taxpayers about \$1,000 more per enrolled beneficiary than it costs for patients in traditional Medicare, and seniors in traditional Medicare pay \$2 more per month for their premiums.

CONTACT YOUR SENATOR AND URGE HIM/HER TO:

- Take immediate action in the final SCHIP reauthorization legislation to replace Medicare physician payment cuts with positive updates that reflect the increases in practice costs.
- Do not accept platitudes: “It will get done” or “I’m with you“ does not go far enough. Senators and their staff need to provide concrete steps they will take to advance legislation to replace Medicare physician payment cuts with positive updates that reflect increases in medical practice costs.

Attachments:

Washington Post Editorial: “*Undue Advantage*”

AMA letter to Senators