

May 26, 2009

The Honorable Max Baucus
Chairman
Senate Finance Committee
Washington, DC 20510

The Honorable Charles Grassley
Ranking Member
Senate Finance Committee
Washington, DC 20510

Re: Comments on Senate Finance Committee Policy Options for Financing Comprehensive Health Care Reform

Dear Senators Baucus and Grassley:

The Consumer-Purchaser Disclosure Project, a collaboration of leading consumer, labor and purchaser organizations, appreciates your continued leadership and that of the Senate Finance Committee in health reform by proposing the options outlined in the document *Financing Comprehensive Health Care Reform: Proposed Health System Savings and Revenue Options*. With total spending on health care, if unchecked, expected to reach 25 percent of GDP in 2025 and the Medicare trust fund projected to be depleted by 2017, there is an undeniable urgency to effectively slow the growth in health care costs. As we rethink the way we pay for care, we need to also consider improving access, quality and efficiency. Our focus must be on a system that creates value for all Americans, as individual patients and society as a whole.

With regard to *Financing Comprehensive Health Care Reform*, below are comments on the following areas: (1) Updating Payment Rates; (2) Adjustment of Reimbursement for High-growth, Over-valued Physician Services; (3) Productivity Gains; and (4) Beneficiary Contributions.

Updating Payment Rates

Currently the health care system operates in silos, both in terms of care provided and payment. However, what occurs in one arena (e.g., inadequate follow-up care after hospitalization) can oftentimes impact another arena (e.g., readmission to hospital). We applaud addressing both GME and DSH payments in both Medicare and Medicaid at the same time and think this approach should be applied in other areas of payment changes. We also believe that payment changes should be made in the context of providing more value and in this instance, reforming medical education to ensure an adequate workforce should be considered.

Adjustment of Reimbursement for High-growth, Over-valued Physician Services

We strongly support the option of establishing an expert panel to evaluate and adjust payment for potentially misvalued physician services. Such authority may ultimately reside in CMS, as proposed in the option, or outside of CMS – for example within a Health Board of some type or under the auspices of an enhanced MedPAC. Within this authority, it is critical to include the perspectives of all health care stakeholders, with a particular focus on consumers and purchasers, into the value decision-making process. Additionally, under the current Medicare

physician payment system – framed by the resource-based relative value scale (RBRVS) – physician payments are based largely on the resource cost of providing a service. This approach is followed by the private sector. Under the current system, payments do not reflect how patients or society value a service. As a result, providers are implicitly discouraged from delivering ‘low resource-using’ services that might be highly valuable to a patient or from a public health standpoint (e.g., counseling, care coordination, etc.).

We support rapid movement to a physician payment system that rewards patient and societal value and resource use. We recommend that the Senate Finance Committee direct CMS to develop a new framework for payments such that provider costs are not the sole factor, but rather they are considered with an item or service’s value to patients. The new ‘value’ factor should consider policy priorities, patient preferences, and payer and purchaser perspectives and be informed by additional considerations such as utilization patterns and geographic variation, among other factors.

The redesign of the RBRVS formula should be linked to expanding a value-based payment program for certain services and providers to reward evidence-based care. However, these rewards should not be “one size fits all.” The current physician payment mechanism does not take into account the clinical appropriateness of the services provided. Rather, it rewards growth in the volume of services: a service provided to the right patient at the right time receives the same payment as a service provided without an evidence-based justification. Revising RBRVS should also include mechanisms to have differential performance-based rewards that would increasingly affect a substantial portion of payments under a revised RBRVS-based fee-for-service, and be available only to the identified services and providers. Physicians and other ancillary providers (e.g., nurse case managers, nurse practitioners, and physician assistants) should be eligible to receive the enhanced payments for performance in areas that are identified as having higher potential positive impact.

Productivity Gains

Fixing payment mechanisms that do not accurately reflect productivity and efficiencies, such as multiple imaging services furnished sequentially, are an important component to achieving more affordable health care. Thus, we affirm revising market basket adjustments to reflect the changing nature of provider productivity (e.g., new technology, innovations in care systems, etc.).

Beneficiary Contributions

We support simplifying Medicare cost-sharing requirements to assist Medicare beneficiaries in making more prudent decisions about their health care. However, Medicare beneficiaries should not be making decisions solely on issues of cost. We believe that restructuring the Medicare cost-sharing system creates a window of opportunity to integrate value-based insurance design (VBID). Well thought out VBID with effective decision-support could help beneficiaries make more informed decisions about discretionary health services, and as a result, reduce their exposure to risk from overuse of services. Any changes should take into account current evidence about cost-sharing and the impact on the use of appropriate and inappropriate services.

Thank you for the opportunity to comment on this historic effort. If you have any questions, please contact either of the Consumer-Purchaser Disclosure Project's co-chairs, Peter V. Lee, Executive Director of National Health Policy for the Pacific Business Group on Health, or Debra L. Ness, President of the National Partnership for Women & Families.

Sincerely,



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Debra L. Ness
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