Alliance of Specialty Medicine

Sound Policy. Quality Care.

February 18, 2022

The Honorable Ron Wyden
Chairman
Senate Finance Committee
Washington, D.C. 20510

The Honorable Mike Crapo
Ranking Member
Senate Finance Committee
Washington, D.C. 20510

The Honorable Richard Neal
Chairman
House Ways and Means Committee
Washington, D.C. 20515

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee
Washington, D.C. 20515

The Honorable Frank Pallone
Chairman
House Energy and Commerce Committee
Washington, D.C. 20515

The Honorable Cathy McMorris Rodgers
Ranking Member
House Energy and Commerce Committee
Washington, D.C. 20515

RE: Request for Congressional Hearings on MACRA

Dear Chairman Wyden, Ranking Member Crapo, Chairman Neal, Ranking Member Brady, Chairman Pallone, and Ranking Member McMorris Rodgers:

The Alliance of Specialty Medicine (the "Alliance") represents more than 100,000 specialty physicians and is deeply committed to improving access to specialty medical care through the advancement of sound health policy. Today, we write to express concerns about structural and mounting instability in the Medicare Physician Fee Schedule (PFS) and request that the committees of jurisdiction hold hearings to begin the process of stabilizing and improving Medicare physician reimbursement and performance programs. Since these reforms will be complex, completing meaningful legislative reform will take some time. Furthermore, as outlined herein, inaction on this topic comes at a cost, so we urge you to begin as soon as possible.

In 2015, the Medicare Access and CHIP Reauthorization Act (MACRA) was enacted, replacing the flawed sustainable growth rate (SGR) physician reimbursement formula with a value-driven reimbursement system that aims to reward physicians based on quality, efficiency, and outcomes. Thus far, the implementation of MACRA's two-track value-focused reimbursement system has faced considerable challenges. While select specialties have found feasible ways to participate in the Quality Payment Program (QPP), most specialty physicians have struggled to meaningfully participate in the Merit-Based Incentive Payment System (MIPS) or engage in alternative payment models (APMs). Additionally, the statutory reimbursement updates have failed to keep pace with rising inflation, leading to inadequate

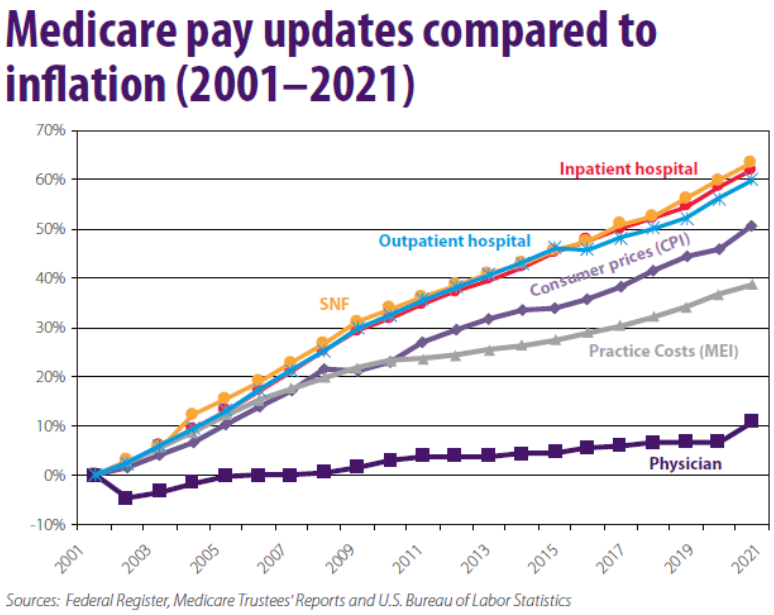
reimbursement for physicians' services. As noted in a 2017 Health Affairs article: "*MACRA is indeed better than what came before, but it still leaves in place perverse incentives that threaten to undermine quality and access for Medicare beneficiaries.*"

Medicare Payments for Physician Services

Unlike other Medicare providers that receive annual reimbursement updates based on an inflation proxy, such as the Consumer Price Index (CPI), MACRA set a statutory update adjustment factor for physician reimbursements. As explained in the 2020 report of the Medicare Trustees:

> Physician payment update amounts are specified for all years in the future, and these amounts do not vary based on underlying economic conditions, nor are they expected to keep pace with the average rate of physician cost increases. These rate updates could be an issue in years when levels of inflation are high and would be problematic when the cumulative gap between the price updates and physician costs becomes large. (pg. 2)

Members of the Medicare Payment Advisory Commission (MedPAC) have voiced similar concerns. During its January 2022 public meeting, Commissioners emphasized the disparity between Medicare reimbursements to hospitals and physicians, highlighting that both providers are subject to the same effects of inflation related to their operating costs. According to an American Medical Association (AMA) analysis of the Medicare Trustees data, the cost of running a medical practice increased 39 percent between 2001 and 2021, while inflation-adjusted Medicare physician reimbursements declined 20 percent during that same period (see figure below).



Although the Alliance currently has no position on the ideal annual update formula, given that each update metric has its potential benefits and drawbacks, it is clear that the physician reimbursement system must change to incorporate an inflation adjustment. Thus, we urge policymakers to immediately engage affected stakeholders, including specialists, to explore available options.

Another consequence of instability in Medicare's physician reimbursement system is increased market consolidation. Downward financial pressure on physicians and their practices has forced many physicians to sell their practices to health systems and private equity groups, entering into employment arrangements with those entities. Indeed, a May 2021 AMA analysis shows that more than half of physicians (50.2 percent) are now employed.

This is concerning because this consolidation increases health care costs. As explained in MedPAC's March 2020 Report to the Congress:

> [G]overnment policies have played a role in encouraging hospital acquisition of physician practices. For example, when hospitals acquire physician practices, Medicare payments increase due to facility fees that Medicare pays for physician services when they are integrated into a hospital's outpatient department. The potential for facility fees from Medicare and higher commercial prices encourages hospitals to acquire physician practices and have physicians become hospital employees. (p. 458)
>
> Physician–hospital integration, specifically hospital acquisition of physician practices, has caused an increase in Medicare spending and beneficiary cost sharing due to the introduction of hospital facility fees for physician office services that are provided in hospital outpatient departments. Taxpayer and beneficiary costs can double when certain services are provided in a physician office that is deemed part of a hospital outpatient department. (p. 460)

To what extent the Medicare PFS contributes to rising health care costs because it encourages consolidation is something that warrants thorough examination and potential correction by policymakers. The rapid consolidation in our health care market underscores the urgent need for Congress to begin that process.

Value-Based Incentives

Over the last six years, initiatives authorized under MACRA, such as the Quality Payment Program (QPP) and the Physician-Focused Payment Model Technical Advisory Committee (PTAC), have been implemented in ways that deviate from the congressional intent of the original legislation and fail to catalyze movement towards higher-value care, particularly for specialists. For example, the Centers for Medicare & Medicaid Services (CMS) has created disjointed, administratively burdensome, and in many cases, clinically irrelevant pathways under the MIPS program, which:

- Suffers from constantly shifting goalposts;
- Generally, disincentivizes the development of specialty-specific quality measures that are meaningful to patients and clinicians;
- Results in unnecessary and duplicative reporting;
- Fails to reduce existing barriers to APM participation for specialists, which CMS has stated is their intended goal; and
- Does little to raise the bar on outcomes and experience of care.

An October 2021 report issued by the U.S. Government Accountability Office (GAO) expressed concern that MIPS performance feedback is neither timely nor meaningful, questioned whether the program helps improve quality and patient outcomes, and highlighted the program's low return on investment.

Furthermore, CMS suffers from internal disorganization with Medicare's value-based initiatives. Multiple offices within CMS are responsible for managing similar but separate value-focused initiatives authorized by MACRA, with little apparent coordination. For example, the staff responsible for administering the QPP seem disconnected from the Center for Medicare & Medicaid Innovation (CMMI) staff administering APMs, despite the intrinsic link between the two. Additionally, to carry out these initiatives, CMS relies on numerous separate contractors who are not aligned or coordinated with one another, which leads to confusion, inefficiencies, and situations where individuals are making important decisions with no institutional history and very little understanding of the clinical implications of their recommendations and actions.

Specialty physicians also have faced challenges getting CMMI to test alternative payment and delivery models that are meaningful and feasible for specialists. Part of the problem is the agency's unwillingness to test models recommended by PTAC. Although PTAC has reviewed over 35 models to date and recommended several for implementation, CMS has yet to advance *any* of these models in their original form. This has been frustrating for Alliance members, many of whom have invested significant resources in developing more impactful models and providing their expertise on ways that APMs could improve clinical practice and patient outcomes. This not only discourages the development of more innovative models but significantly limits the movement of specialists into value-based models. Furthermore, even in situations where specialists participate in existing APMs, the models often do little to meaningfully capture or incentivize the quality and overall value of specialists compared to their non-specialty colleagues.

Additional challenges facing physician practices

Beyond these issues, the practice of medicine continues to grow increasingly complex as physicians must navigate a web of constantly shifting regulatory mandates and other administrative requirements from Medicare, its contractors, and insurance companies, including prior authorization, electronic health records implementation, new rules associated with the *No Surprises Act,* and negotiating contract and network status across multiple plans. Keeping up with these demands requires a significant investment of time and resources that — under the current reimbursement system — make it impossible to manage.

Concluding thoughts

The Alliance appreciates the opportunity to share its concerns and hopes that Congress will consider holding hearings and/or a series of roundtable discussions to examine the implementation and impact of MACRA policies related to physician reimbursement and value-driven performance. At the same time, Congress must take immediate steps to stabilize Medicare physician reimbursements while it explores more permanent solutions. Physicians continue to face steep reimbursement cuts due to PayGo, sequestration, and budget neutrality adjustments to the conversion factor. We appreciate that Congress is reluctant to adopt temporary measures to prevent these cuts each year. However, as physician practices struggle to emerge from the disruptions due to the COVID-19 pandemic and skyrocketing practice costs, Congress must provide ongoing temporary relief from these cuts to allow sufficient time to fix the currently broken system.

Should you have any questions or wish to schedule a meeting, please contact us at info@specialtydocs.org.

Sincerely,

American Academy of Facial Plastic & Reconstructive Surgery
American Association of Neurological Surgeons
American Academy of Otoloaryngology-Head and Neck Surgery
American College of Osteopathic Surgeons
American College of Mohs Surgery
American Gastroenterological Association
American Society for Dermatologic Surgery Association
American Society of Cataract and Refractive Surgery
American Society of Echocardiography
American Society of Plastic Surgeons
American Society of Retina Specialists
American Urological Association
Coalition of State Rheumatology Organizations
Congress of Neurological Surgeons
National Association of Spine Specialists