Michael D. Maves, MD, MBA, Executive Vice President, CEO

January 13, 2010

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232 Capitol Building
Washington, DC 20515

Dear Madam Speaker:

On behalf of the American Medical Association (AMA), I am writing to express our opposition to the Independent Payment Advisory Board (IPAB) provision in H.R. 3590. Substantial modifications of the IPAB proposal are essential. The AMA opposes any provision that would empower an independent commission, such as the IPAB, to mandate payment cuts for physicians. Physicians are already subject to an expenditure target and other potential payment reductions as the result of the Medicare physician payment formula. It makes no sense to subject physicians to two separate expenditure targets while at the same time exempting large segments of Medicare providers who are subject to no target at all. Physicians should not be subject to double jeopardy through two different expenditure targets and potentially additional multiple payment reductions in the same year.

Further, since the IPAB is an independent body comprised of un-elected officials, with broad discretionary authority to make radical changes in the structure of the Medicare program, IPAB recommendations should require an affirmative vote by Congress before they can be implemented. Congress should also retain the ability to achieve a different level of savings than proposed by the IPAB to adjust for new developments that warrant spending increases, and maintain its ultimate accountability for the sustainability and stability of the Medicare program.

We have already seen first-hand the ill effects of the flawed SGR physician target and the steep cuts that Congress has had to scramble each year to avoid, along with the exorbitant price tag required for a long-term SGR solution (due to repeated short-term interventions). It is puzzling that as Congress struggles to correct a flawed Medicare physician payment formula, some policymakers are proposing a similar rigid formula that risks a bigger set of problems for a broader cross-section of Medicare services. Removing an automatic trigger for Medicare spending cuts would enable policymakers to exercise judgment and flexibility in shaping Medicare payment policies and spending levels

Physician SGR experience has underscored the necessity for spending levels to reflect critical factors that are outside of physicians'/other providers' control, but have a huge affect on

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utilization and spending. Therefore, Medicare spending levels must reflect appropriate increases in volume that may be a result of policy changes, innovations that improve care, greater longevity, and unanticipated spending for such things as influenza pandemics.

The experience with the SGR also raises concerns about policy decisions based on projections that require subsequent adjustments to reflect more accurate data. Several years ago, Congress was saddled with the cost of a $54 billion projection error that was "baked in" to the SGR calculations. It is critical that there is a mechanism for the IPAB to correct projection errors, with a process to adjust Medicare payment policies once more accurate data becomes available.

We thank you for your consideration, and look forward to our continued work to further improve the pending health system reform legislation.

Sincerely,

Michael D. Maves, MD, MBA