

August 23, 2005

The Honorable Bill Thomas  
Chairman  
Committee on Ways and Means  
1102 Longworth House Office Building  
Washington, DC 20515

**Letters also sent to Reps. Barton, Brown,  
Deal, Dingell, Johnson, Rangel & Stark**

Dear Mr. Chairman:

On behalf of the undersigned organizations we are writing to share with you a high level conceptual framework that proposes a phased-in approach to implementing pay-for-performance (PFP) for physicians and other health care professionals participating in Medicare. We are committed to working with Congress and the Administration to help develop a fair, ethical, patient-centered, and evidence-based Medicare PFP program.

The attached framework is the result of extensive work by organizations representing a wide variety of physician specialties and health care professionals. It is our belief that the only way PFP will be successful in Medicare is if it recognizes the great diversity of clinical practice in this country. Many of our organizations have shared with you very detailed principles outlining the necessary elements for PFP to work effectively. This framework is not intended to supersede these important documents but rather highlight areas of consensus in Medicine to provide you with our best sense of how Medicare might begin to implement PFP.

Fundamental to this framework is the recognition that Medicare today sits at a crossroads. Modernizing the way Medicare pays practitioners to help support quality care will not work under the existing Sustainable Growth Rate (SGR) formula. Medicare patient access is already threatened by projected payment cuts totaling 26% over the next six years. If implemented along side the SGR formula, PFP will only further penalize physicians and other health care professionals for providing the care necessary to keep their patients healthy. The SGR and PFP are inconsistent methodologies from both a conceptual as well as practical standpoint. Our organizations believe the SGR formula must be repealed if PFP is to be successfully implemented in Medicare.

We look forward to a dialogue on the attached framework.

Sincerely,

American Academy of Audiology  
American Academy of Child and Adolescent Psychiatry  
American Academy of Facial, Plastic and Reconstructive Surgery  
American Academy of Family Physicians  
American Academy of Neurology

American Academy of Ophthalmology  
 American Academy of Otolaryngology – Head and Neck Surgery  
 American Academy of Physical Medicine and Rehabilitation  
 American Academy of Physician Assistants  
 American Association of Clinical Urologists  
 American Association of Hip and Knee Surgeons  
 American Association of Neurological Surgeons  
 American Association of Orthopaedic Surgeons  
 American Association of Practicing Psychiatrists  
 American College of Cardiology  
 American College of Emergency Physicians  
 American College of Gastroenterology  
 American College of Nuclear Physicians  
 American College of Nurse Practitioners  
 American College of Obstetricians and Gynecologists  
 American College of Osteopathic Surgeons  
 American College of Physicians  
 American College of Radiology Association  
 American College of Rheumatology  
 American College of Surgeons  
 American Gastroenterological Association  
 American Geriatrics Society  
 American Medical Association  
 American Medical Directors Association  
 American Medical Group Association  
 American Nurses Association  
 American Osteopathic Academy of Orthopedics  
 American Osteopathic Association  
 American Physical Therapy Association  
 American Psychiatric Association  
 American Psychoanalytic Association  
 American Shoulder and Elbow Surgeons  
 American Society for Gastrointestinal Endoscopy  
 American Society for Reproductive Medicine  
 American Society for Therapeutic Radiology and Oncology  
 American Society of Addiction Medicine  
 American Society of Anesthesiologists  
 American Society of Cataract and Refractive Surgery  
 American Society of General Surgeons  
 American Society of Hematology  
 American Society of Interventional Pain Physicians  
 American Society of Nephrology  
 American Society of Nuclear Cardiology  
 American Society of Plastic Surgeons  
 American Speech-Language-Hearing Association  
 American Urological Association

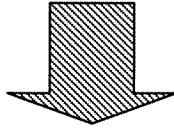
Association of American Medical Colleges  
College of American Pathologists  
Congress of Neurological Surgeons  
Emergency Department Practice Management Association  
Heart Rhythm Society  
Joint Council of Allergy, Asthma and Immunology  
Medical Group Management Association  
National Association of Spine Specialists  
National Medical Association  
National Rural Health Association  
Orthopaedic Trauma Association  
Pediatric Orthopaedic Society of North America  
Renal Physicians Association  
Scoliosis Research Society  
Society for Cardiovascular Angiography and Interventions  
Society for Vascular Surgery  
Society of Critical Care Medicine  
Society of Hospital Medicine  
Society of Nuclear Medicine  
Society of Thoracic Surgeons

### 2006 Ramp-up

Medicare Update: Total additional dollars allocated to fix the SGR at least equal to the amount required to provide a fee schedule update equal to the increase in the MEI.

#### Development Period

- Measure Development (ongoing)
- PFP Pilot Tests/Demos



### 2007 Pay for Reporting

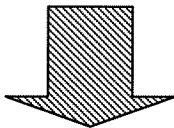
Medicare Update: Total additional dollars allocated to fix the SGR and fund a pay for reporting program are at least equal to the amount required to provide a fee schedule update equal to the increase in the MEI. All physicians guaranteed a payment “floor” of positive updates.

Reporting basic quality information such as:

- Practice structure (e.g. functions of IT use – patient registries)
- Participation in patient safety programs / use of protocols (e.g. mark your site, time out)

#### Development Period

- Measure Development (ongoing)
- PFP Pilot Tests/Demos



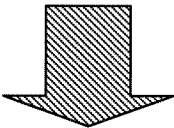
### 2008-2009 Pay for Reporting / Pay for Participation

Medicare Update: Total additional dollars allocated to fix the SGR and fund a pay for reporting / pay for participation program are at least equal to the amount required to provide a fee schedule update equal to the increase in the MEI. All physicians guaranteed a payment “floor” of positive updates.

- Transition to participation in more advanced quality improvement programs and reporting of evidence-based quality measures. Quality performance data will be transmitted back to physicians for internal quality improvement purposes. This phase would also test the feasibility of collecting data and accurately measuring physician performance in preparation for PFP.

#### Development Period

- Measure Development (ongoing)
- PFP Pilot Tests/Demos



### 2010 Pay for Performance

Medicare Update: Pay for performance (PFP) provisions are triggered contingent on repeal of SGR formula. Long term solution must assure that sufficient dollars are allocated to allow for positive annual fee schedule updates linked to inflation and money to be set aside to fund the proposed PFP program. All physicians must be guaranteed a payment “floor” of positive updates.

- % of Medicare payment of physicians (all specialties) based on quality performance
- Program focus on continuous quality improvement
- Performance measured on evidence-based measures of process and/or outcomes with appropriate risk adjustment, valid sample size, etc..
- Any “efficiency measures” used are transparent, evidence based, and focus on clinical quality improvement
- Only after adequate safeguards are put in place to prevent unintended consequences such as patient de-selection is public reporting permitted
- HHS conducts studies on Medicare program savings resulting from Part B quality efforts