



November 6, 2009

The Honorable Nancy Pelosi
Speaker of the House of Representatives
US House of Representatives
H-232, Capitol Building
Washington, D.C., 20515

Dear Madam Speaker:

Many contentious issues related to the health care debate have surfaced over the past year. One point of agreement however, from both President Obama and the Congress, is the belief that multi-specialty medical groups and other organized systems of care should serve as the foundation for a high quality and efficient health care delivery system.

We are pleased to see that Congress has taken positive steps to provide incentives that will encourage the development of medical groups and other organized systems of care. We offer our comments on these positive steps and express our opposition to including a public health insurance plan in health care reform legislation.

The American Medical Group Association (AMGA) represents medical groups and organized systems of care, including some of the nation's largest, most prestigious integrated healthcare delivery systems. Approximately 95,000 physicians practice in AMGA member organizations, providing healthcare services for 96 million patients (more than one in four Americans).

Accountable Care Organizations

We applaud Congress' decision to include provisions creating Accountable Care Organizations (ACO) in both chambers' versions of health care reform legislation. ACOs have the potential to positively affect the delivery system by being accountable for both the cost and quality of the care they deliver.

ACOs present an opportunity to blend delivery, accountability, and payment reforms, all of which are necessary to make care truly patient-centric. Addressing all three components of delivery reform is challenging. However, a model is already in place that provides policymakers with the foundation for developing ACOs. The Medicare Physician Group Practice (PGP) Demonstration is a proven system by which ACOs could demonstrate they are accountable for the quality of care delivered and resources used.

Over a five year period, PGP participants demonstrated significant improvements in care coordination, quality of patient care, and financial savings to the Medicare program. The

findings are sufficient enough to warrant implementation of this ACO model on a national basis.

The ACO program, as envisaged, will be voluntary and as such must be appealing in order to attract participants. We are pleased to see in the Senate Finance Committee's bill incorporation of key lessons learned by AMGA member participants in the CMS PGP Demonstration (9 of 10 participants were our members), which we believe will position ACOs for success. We hope for and encourage inclusion of this language in the final melding of bills in the Senate and its ultimate enactment into law.

Comparative Effectiveness

Comparative effectiveness research (CER) compares the clinical effectiveness of a particular service with its alternatives. The current health care delivery system operates without enough credible, empirically based information. The need to find solutions to contain health care spending while improving care underscores the need for comparative effectiveness analysis in reforming health care delivery.

The Agency for Healthcare Research and Quality (AHRQ), the Medicare Payment Advisory Commission (MedPAC) and Congress have all recognized the value of comparative effectiveness research in reforming the nation's healthcare system. AMGA supports the fundamental concepts of comparative effectiveness information use and we are pleased to see CER provisions included in health care reform legislation.

Public Health Insurance Plan

While AMGA appreciates efforts to improve the delivery system, and expand coverage to all Americans, we are opposed to inclusion of a public health insurance plan in reform legislation. A "public option" whether reimbursed at Medicare +5 percent, or using "negotiated" rates could have a devastating effect on medical groups nationwide.

As you know, Medicare rates have not kept up with the cost of doing business for several years. In some parts of the country, these rates reimburse only 50 percent of a provider's costs. Medical groups have relied on higher paying commercial rates to make up for this loss. A public plan tied to Medicare rates will eliminate the ability of medical groups to cross-subsidize payments. This problem will become even more acute as commercial payors reduce their rates to match the public plan. Many medical groups will be forced to freeze physician hiring, eliminate clerical and administrative personnel, and limit investment into care management processes and EMR systems. Eventually, this would seriously impact many medical groups ability to deliver care.

Some policymakers have suggested requiring the Department of Health and Human Services (HHS) to negotiate payment rates with providers. Rates would not be lower than current Medicare rates and not higher than the average of commercial rates in an Exchange. We believe there are overwhelming logistical issues with this approach. It seems unlikely that HHS will be able to negotiate rates with more than 700,000 physicians, 5000 hospitals, thousands of home health agencies, etc. Instead, this will

likely result in negotiations with HHS that are pegged to the lowest possible payment rate. This would devastate medical groups, particularly those in low cost, efficient states.

We also believe that reimbursing providers based on Medicare's payment system will have negative policy implications. Medicare's system is based on administered prices and pays on volume. As is well documented, this inefficient system results in more procedures and more services, but not necessarily better outcomes.

Therefore, rather than basing a public plan on Medicare's inefficient payment system, we believe Medicare must first be transformed into a value based care purchaser. Payment that is based on achieving process, structure and outcomes measures, over time, will incentivize real accountability in the delivery system.

We thank you for your time in considering the views of multi-specialty medical groups and other organized systems of care.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald W. Fisher".

Donald W. Fisher, Ph.D.
President and CEO