



# AMA Update on Health System Reform



# MCMS Medical Practice Retreat



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## 7 Critical HSR Elements for AMA



- Provide coverage for all Americans
- Insurance market reforms to expand affordable coverage choice and eliminate denials for pre-existing conditions



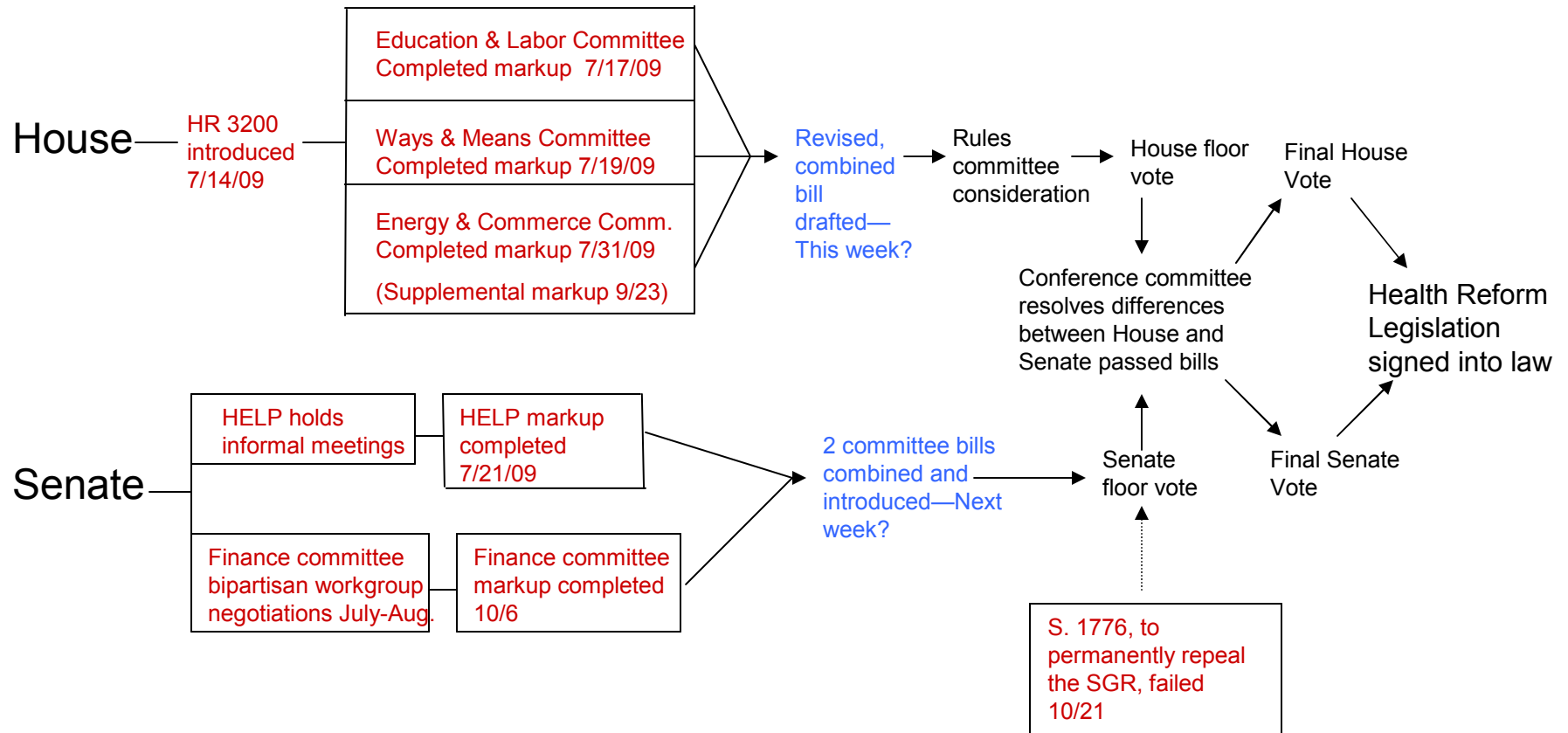
- Assure health care decisions are made by physicians, not insurers or government
- Investments in quality improvement, prevention, wellness



- Repeal SGR
- Medical liability reform
- Reduce administrative burdens



# Current Status of Health System Reform Legislation



Red text indicates steps completed



# House Status



- HR 3200 considered by 3 committees
  - Consolidated product expected this week
- Single version headed to House floor before Veterans Day
- Democrats have clear, if not unified, majority
- Expect a floor vote on a single payer system





# Key (Likely) House Provisions



- Insurance market reforms, health insurance exchanges
- Subsidies for low income individuals, small businesses
- Public plan option
  - Proposed negotiated rates may not be retained
- Individual and employer mandates
- Prevention and wellness incentives
- Administrative simplifications





# Key House Provisions for Physicians



- Eliminates and rebases SGR
  - Replaces with 2 more favorable targets
  - SGR vote may be taken separately
- 5% bonus for primary care, no pay reductions for others
- Improves PQRI and extends bonuses
  - No penalties
- Imaging services payment reductions
- Pilots for civil justice alternatives
  - Less broad than Administration's grant program





## Senate Status



- Senate HELP Committee consideration completed in July
- Senate Finance Committee completed action Oct. 6
- Floor vote expected mid-November
- Pathway announced Oct. 14 for SGR repeal





# Key (Likely) Senate Provisions



- Insurance market reforms, health insurance exchanges
- Subsidies for low income individuals, small businesses



- Co-ops instead of public plan option
- Individual mandate; employers >50 reimburse government for “affordability credits”



- Prevention and wellness incentives
- Administrative simplifications
- Many workforce enhancements in HELP bill





# They Said it Couldn't be Done...





# Key Senate Provisions for Physicians



- 0.5% Medicare update for 2010
- 10% bonus for primary care and rural general surgeons for 5 years
  - Offset by 0.5% cut in non primary care services
- Imaging services payment reductions
- Provider enrollment fees
- Mandatory PQRI participation
- Penalties for high resource use
- Independent Medicare Commission
- Value based purchasing modifier
- Practice expense GPCI adjustments
- Medical liability reform proving to be a hot button issue

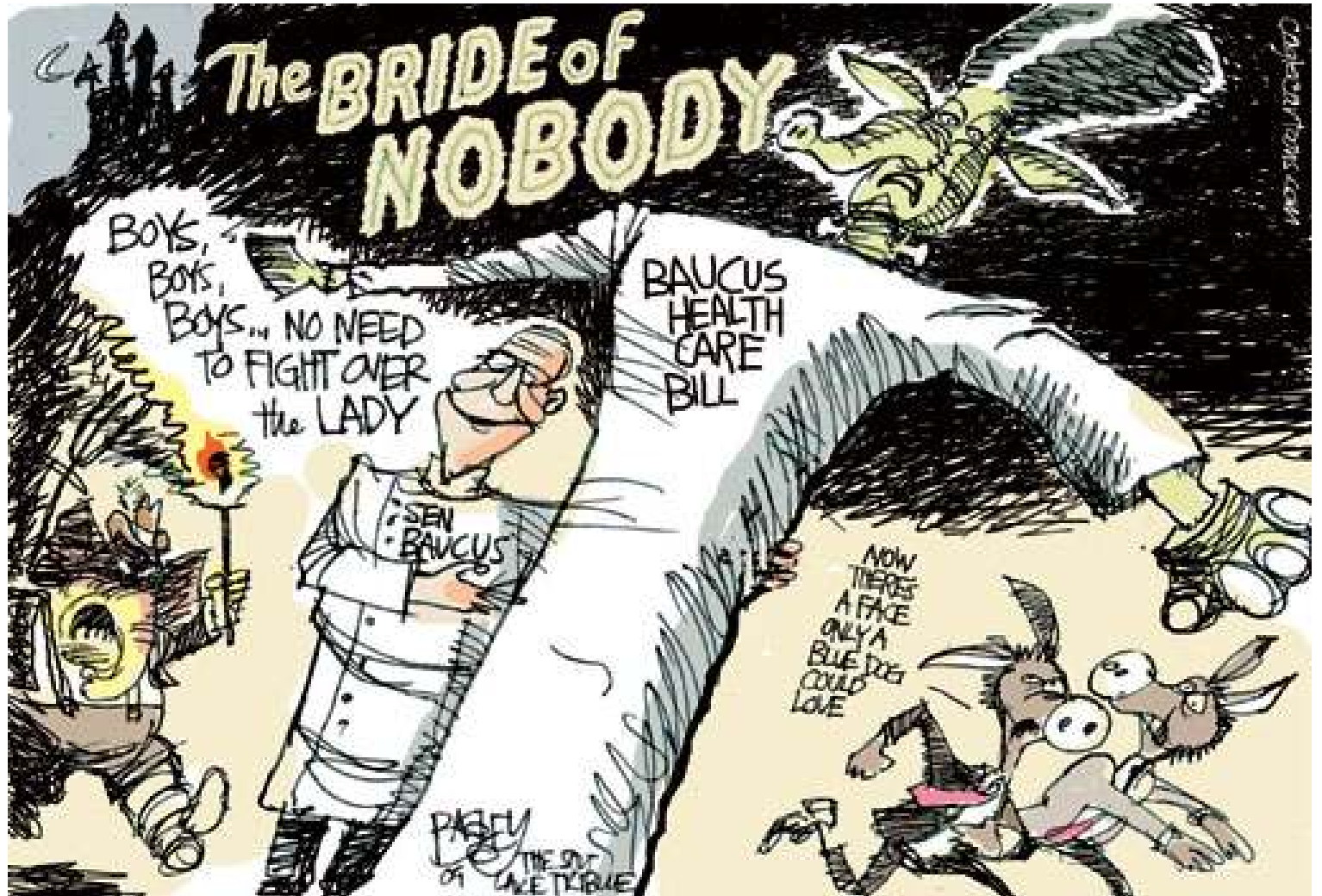




# Current and Proposed Incentives

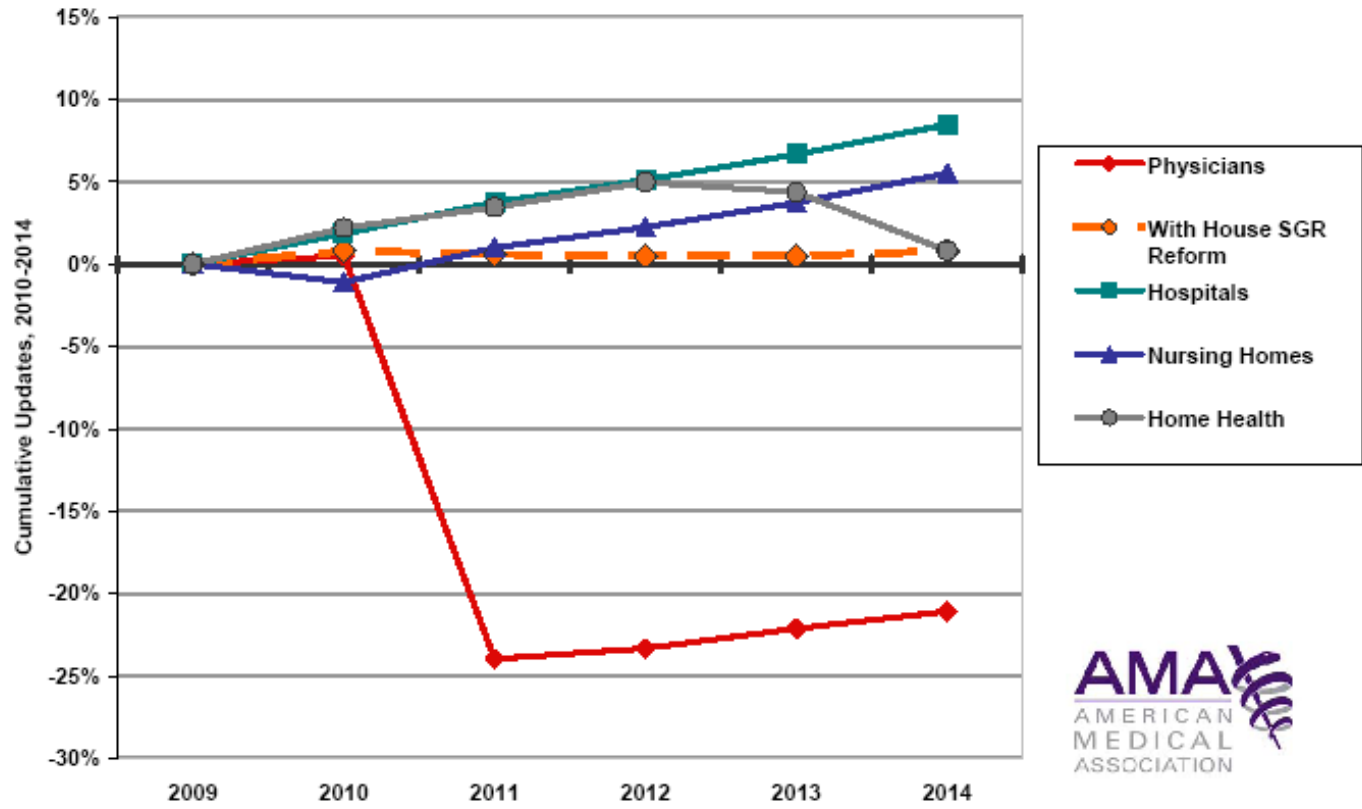
CY	E-Rx	Health IT	PQRI	Outlier	IMAC Targets
2009	2%		2%		
2010	2%		2%		
2011	1%	\$18K	1%		
2012	1% (-1%)	\$12-18K	0.5%		
2013	0.5% (-1.5%)	\$8-15K	(-1.5%)		
2014	(-2%)	\$4-12K	(-2%)		
2015		\$2-8K (-1%)	(-2%)	(-5%)	(-0.5%)
2016		\$2-4K (-2%)	(-2%)	(-5%)	(-1%)
2017		(-3%)	(-2%)	(-5%)	(-1.25%)
2018		(-3%)	(-2%)	(-5%)	(-1.5%)







## Medicare Payment Updates Under "America's Healthy Future Act"

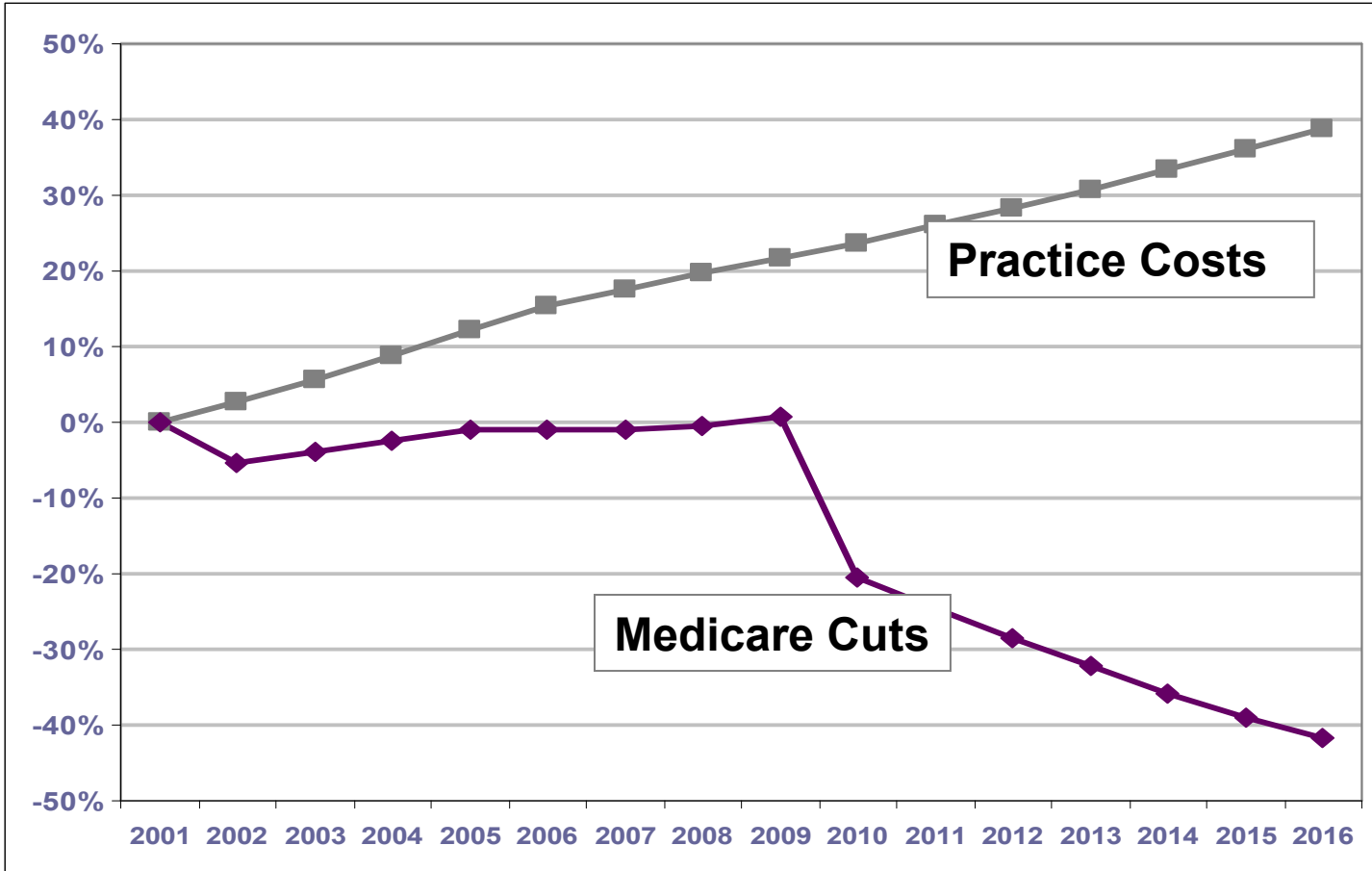


Sources: 2010 updates and 2010-14 market basket forecasts from CMS. Pay updates based on market basket reductions in legislation. House SGR reform updates based on AMA analysis. Does not include other proposed payment policy changes.





# The Medicare Dilemma: Practice Costs vs. Medicare Payment Updates

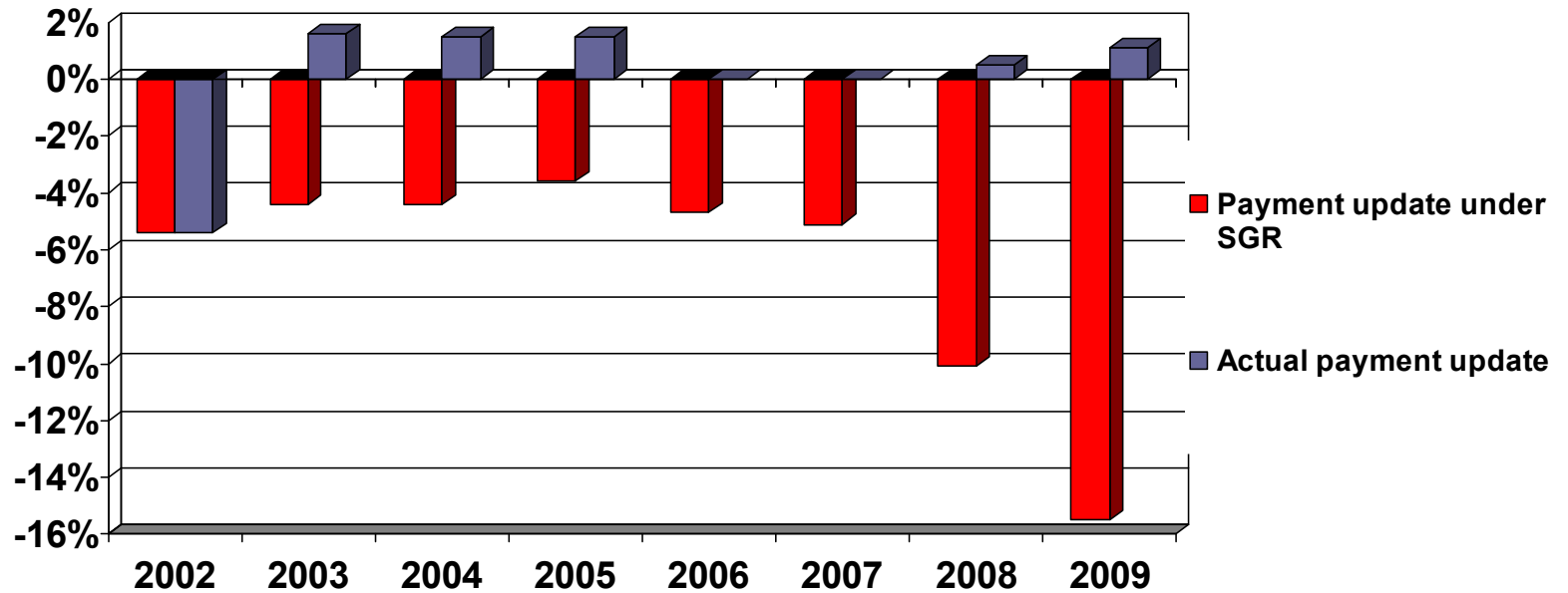


Physician cost data is from the MEI, a conservative measure of practice cost growth maintained by CMS. Medicare cuts are from the 2008 Medicare Trustees report, with adjustments to reflect Sec. 131 of P.L. 110-275. Prepared by American Medical Association, Division of Economic and Health Policy Research, August 2008.

# Recent Medicare Payment History



Physician Payment Updates Under the SGR  
2002-2009





# Growing Cost of Short-Term Solutions

Date of CBO Score	Freeze – 10 Year Score	MEI – 10 Year Score
February 28, 2002	-----	\$126 billion (based upon 2001 and 2002 MedPAC recommendation)
May 5, 2004	-----	\$95 billion
March 24, 2005	\$48.6 billion	\$154.5 billion
March 24, 2006	\$127.2 billion	\$218.2 billion
January 2007	\$170.8 billion	\$252.2 billion
March 2007	\$177.7 billion	\$262.1 billion
March 14, 2008	\$220.1 billion	\$288.1 billion
May 7, 2009	\$285 billion	\$344 billion







# Senate Pathway for SGR Repeal



- S. 1776, “Medicare Physicians Fairness Act of 2009”
  - Introduced by Sen. Debbie Stabenow (D-MI) 10/12
  - Repeals the SGR
  - Resets Medicare payments at current levels
- Not true reform—clears the path for new update system
  - Avoids budget constraints
  - New system will be incorporated into HSR legislation
- **Cloture vote failed October 21, 47-53**
  - Referendum on budget deficit and health system reform costs, not on need to reform physician payments
  - Increases focus on proposed negative incentives for physicians in Finance package
- House leadership statement reaffirmed commitment to permanent SGR reform





**Outlook**

**Strategy**

**Controversies**



