

October 3, 2005

The Honorable Bill Frist, MD  
Majority Leader  
United States Senate  
S-230 U.S. Capitol  
Washington, DC 20510

Dear Dr. Frist:

With the Medicare Trustees projecting cuts of 26% in Medicare's physician fee schedule over a six-year period, we, the undersigned national medical specialty societies and state medical societies, are writing to urgently ask for Congressional action to avert the looming cuts in Medicare physician payments. We appreciate the broad support in Congress to prevent Medicare physician payment cuts and to provide a positive physician update. However, time is running out. Unless Congress acts in the next few weeks, Medicare physician payment rates will be cut by 4.4 percent on January 1, 2006. If this cut is imposed, Medicare rates will fall 16 percent below the government's conservative measure of inflation in medical practice costs (Medicare Economic Index or MEI) from 2002-2006. **If this cut occurs, the average physician payment rate will be less in 2006 than it was in 2001.**

Physicians need positive payment updates. Even a "freeze" in physician payments would be akin to a payment cut. In 2002, physician payments were cut by 5.4%. Congress acted to avert payment cuts in 2003, 2004, and 2005, replacing steep cuts with increases of 1.6% in 2003 and 1.5% in 2004 and 2005. **Although we are very grateful, even with these increases, physician payments fell further behind the MEI: physician practice cost increases over these years were about two times the legislated payment increases.**

The American Medical Association (AMA) conducted a survey in February and March 2005 on projected Medicare physician payment cuts. Results indicated that if payment cuts begin in 2006: More than a third (38%) of physicians plan to decrease the number of new Medicare patients they accept; more than half (54%) of physicians plan to defer the purchase of information technology; about a quarter (24%) of physicians plan to close satellite offices; and a third (34%) of physicians whose practice serves a rural patient population will discontinue rural outreach services.

The 2005 Medicare Trustees Report projects physician practice cost inflation for 2006 to be 2.7%. After a severe pay cut in 2002 followed by three consecutive years of updates that were less than practice cost increases, physicians simply cannot absorb any more cuts. **A freeze would place physician payments further below the MEI and seriously jeopardize seniors' access to care. Physicians can not absorb a freeze while their practice costs continue to grow.**

Other health care providers receive positive updates that reflect their practice cost increases. In 2006, other providers will receive the following positive updates: home

health providers +2.5%, hospitals +3.7%; Medicare Advantage plans +4.8%; nursing homes +3.1%. Only physicians are subject to the flawed Sustainable Growth Rate (SGR) formula, which produces negative updates because it is tied to the ups and downs of the national economy, specifically the Gross Domestic Product (GDP) – and not to the health care needs of seniors and disabled patients or the cost of providing care to them.

Lastly, we believe the solution to this problem requires *both* Congress and the Administration to act. In multiple letters to the Administration, the majority of both the House and Senate have indicated their strong support for regulatory changes, specifically, the exclusion of Part B drug spending from physician service spending.

To preserve Medicare patients' access to care, we strongly urge you to pass legislation and convince the Administration to do its part with regulatory changes.

Sincerely,

American Academy of Child and Adolescent Psychiatry  
 American Academy of Dermatology Association  
 American Academy of Family Physicians  
 American Academy of Neurology  
 American Academy of Ophthalmology  
 American Academy of Otolaryngology – Head and Neck Surgery  
 American Academy of Pain Medicine  
 American Academy of Pediatrics  
 American Academy of Physical Medicine and Rehabilitation  
 American Academy of Sleep Medicine  
 American Association of Clinical Endocrinologists  
 American Association of Clinical Urologists  
 American Association of Hip and Knee Surgeons  
 American Association of Neurological Surgeons  
 American Association of Neuromuscular and Electrodagnostic Medicine  
 American Association of Orthopaedic Surgeons  
 American College of Cardiology  
 American College of Chest Physicians  
 American College of Gastroenterology  
 American College of Obstetricians and Gynecologists  
 American College of Osteopathic Family Physicians  
 American College of Osteopathic Surgeons  
 American College of Physicians  
 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 Osteopathic Academy of Orthopedics  
 American Osteopathic Association

American Psychiatric Association  
 American Shoulder and Elbow Surgeons  
 American Society for Clinical Pathology  
 American Society for Gastrointestinal Endoscopy  
 American Society for Reproductive Medicine  
 American Society for Therapeutic Radiology and Oncology  
 American Society of Addiction Medicine  
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 American Society of Cataract and Refractive Surgery  
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 American Society of Hematology  
 American Society of Interventional Pain Physicians  
 American Society of Nephrology  
 American Society of Nuclear Cardiology  
 American Society of Pediatric Nephrology  
 American Society of Plastic Surgeons  
 American Thoracic Society  
 American Urological Association  
 Arthroscopy Association of North America  
 Association of American Medical Colleges  
 Child Neurology Society  
 College of American Pathologists  
 Congress of Neurological Surgeons  
 Heart Rhythm Society  
 Infectious Diseases Society of America  
 Joint Council of Allergy, Asthma and Immunology  
 Medical Group Management Association  
 National Association of Spine Specialists  
 National Hispanic Medical Association  
 National Medical Association  
 North American Hip Society  
 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 Interventional Radiology  
 Society of Thoracic Surgeons  
 The Endocrine Society

Medical Association of the State of Alabama  
 Alaska State Medical Association  
 Arizona Medical Association  
 Arkansas Medical Society

California Medical Association  
Colorado Medical Society  
Connecticut State Medical Society  
Medical Society of Delaware  
Medical Society of the District of Columbia  
Florida Medical Association  
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Medical Society of the State of New York  
North Carolina Medical Society  
North Dakota Medical Association  
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Oklahoma State Medical Association  
Oregon Medical Association  
Pennsylvania Medical Society  
Rhode Island Medical Society  
South Carolina Medical Association  
South Dakota State Medical Association  
Tennessee Medical Association  
Texas Medical Association  
Utah Medical Association  
Vermont Medical Society  
Medical Society of Virginia  
Washington State Medical Association  
West Virginia State Medical Association  
Wisconsin Medical Society  
Wyoming Medical Society

cc: United States Senate

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Speaker  
U.S. House of Representatives  
H-232 U.S. Capitol  
Washington, DC 20510

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