



Committee On Finance

Max Baucus, Chairman

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Hearing Statement of Senator Max Baucus (D-Mont.) Regarding Medicare Payment for Physician Services

In 1976, the President of Memorial Sloan-Kettering said: “The great secret of doctors . . . still hidden from the public, is that most things get better by themselves; most things, in fact, are better in the morning.”

Unfortunately, health care costs are not one of those things. Health care spending is growing at roughly twice the rate of inflation. Since the year 2000, Medicare spending on physician services has grown nearly 10 percent a year.

Health care costs will not just get better in the morning.

And health care cost growth has not been uniform throughout the country. There are wide variations in the volume of services provided to comparable patients. These variations appear both across geographical regions and among physician specialties.

And the evidence also strongly suggests that patients are not reaping better health outcomes in exchange for this extra spending. In fact, some evidence suggests that more services may equate with worse health outcomes.

And another thing that will not just get better in the morning is the way that Medicare pays doctors.

In 1997, Congress created the system that we have now. Congress created a thing called “the Sustainable Growth Rate,” or “SGR.” It was meant to control what Medicare spends on doctors.

But the SGR is not working. If Congress had not intervened, the SGR would have produced steep cuts in physician payments since 2002. And if Congress does not intervene, the SGR will continue to produce steep cuts for the foreseeable future.

But every year since 2003, Congress has intervened to avert these cuts. The SGR will not just get better in the morning.

We need to establish a sound, predictable system. That is why, in early 2006, Congress asked MedPAC to examine a variety of alternative mechanisms for controlling physician expenditures under Medicare.

This morning, MedPAC released its report. And I am looking forward to hearing the Commission's Chairman, Glenn Hackbarth, explain what MedPAC's found.

Whatever path we choose, we need to ensure that only appropriate, evidence-based services are being provided to Medicare beneficiaries. We must strive for a system that demands the highest quality and most efficient use of resources.

Yes, we must defer to the clinical expertise of doctors and other providers in caring for their patients. But we also have a responsibility to control the growth in volume of services, so that the Medicare program can be sustained in the future.

Our experience with the SGR has demonstrated that a target-based system that cuts payment rates may not be a very effective way to control the volume of services, or overall spending. For some time, MedPAC has encouraged Congress to adopt a variety of measures that will create incentives for quality and efficiency. Many of those recommendations are included in its report, along with some new ones. We will move forward on many of these fronts this year.

Any honest discussion about reforming the current SGR system must also address the elephant in the room: the budget baseline. The budget baseline assumes that Congress will not suspend the SGR. Thus, modifying the system in a way that achieves some payment equity over the long term will be extremely costly. That's why it is important to hear from Peter Orszag, the Director of the Congressional Budget Office. We must be realistic and cost-conscious in mapping our way forward.

And another key question relates to the experience of Medicare beneficiaries. The beneficiaries, after all, are the reason that we are here today. We need to ensure that seniors remain able to get good medical care.

Doctors in my home state of Montana tell me that they are committed to serving these patients. And recent studies by MedPAC, GAO, and others suggest that our seniors are not having much difficulty seeing a doctor.

But I do hear reports about doctors in some parts of the country refusing to see new Medicare beneficiaries. They claim that the cost of treating them exceeds their reimbursement. I am concerned that a new generation of doctors is coming of age that may not be as willing to see Medicare beneficiaries. We need to take steps now to ensure that this does not happen.

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The challenge of the SGR in health policy is something like that of the AMT in tax policy. They are both three-letter abbreviations. And they both stand for real problems that Congress has been ducking for years.

So let's roll up our sleeves and get to work. It's my hope that the MedPAC report will give us a new launching pad for intense discussion of these issues.

Let us find reforms that will ensure the efficient use of Medicare dollars. Let us find reforms that will maintain beneficiaries' access to high-quality services. And let us do more than just take two aspirin, only to find that we have the same problem in the morning.

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