



## American Academy of Family Physicians

2021 Massachusetts Avenue, N.W., Washington, DC 20036-1011

July 28, 2005

The Honorable Nancy Johnson  
Chairman, Health Subcommittee  
Ways and Means Committee  
U.S House of Representatives  
Washington, DC 20515

Dear Madam Chairman:

On behalf of the 94,000 members of the American Academy of Family Physicians, thank you for the opportunity to review your proposed legislation to provide for value-based purchasing in the payment for physicians' services within Medicare. We commend you for your leadership in making Medicare more responsive to the needs of its patients. We greatly appreciate your willingness to allow the AAFP to participate in those efforts.

Your proposed legislation represents major progress in the development of a successful pay-for-performance system in Medicare. First of all, your bill positively addresses the basic, underlying problem of the current formula's declining payment rate. As you have said at hearings and other occasions, pay-for-performance programs cannot work when payments are consistently declining. Eliminating the Sustainable Growth Rate and basing payment on the Medicare Economic Index, which actually reflects what it cost physicians to provide health care services, are two crucial steps toward an equitable Medicare system.

Your bill also structures value-based purchasing as a positive incentive rather than a negative withholding of payment. This approach promises to be a more effective way to improve quality and accountability. The AAFP, along with several of our fellow medical specialty societies, have been working toward a payment system based on measurable progress toward performance targets. We are committed to continuously improving the delivery of health care to our patients, and we applaud your long-standing interest in this same goal.

**President**

Mary E. Frank, MD  
*Mill Valley, California*

**President-elect**

Larry S. Fields, MD  
*Ashland, Kentucky*

**Board Chair**

Michael O. Fleming, MD  
*Shreveport, Louisiana*

**Speaker**

Thomas J. Weida, MD  
*Hershey, Pennsylvania*

**Vice Speaker**

Leah Raye Mabry, MD  
*San Antonio, Texas*

**Executive Vice President**

Douglas E. Henley, MD  
*Leawood, Kansas*

**Directors**

Rick Kellerman, MD  
*Wichita, Kansas*

John E. Sattenspiel, MD  
*Salem, Oregon*

Mary Jo Welker, MD  
*Columbus, Ohio*

James King, MD  
*Selmer, Tennessee*

Thomas A. Kintanar, MD  
*Fort Wayne, Indiana*

Timothy S. Komoto, MD  
*Mendota Heights, Minnesota*

Judith Chamberlain, MD  
*Brunswick, Maine*

Ted Epperly, MD  
*Boise, Idaho*

Virgilio Licon, MD  
*Brighton, Colorado*

Maureen O'Hara Padden,  
MD  
(New Physician Member)  
*Camp Lejeune, North  
Carolina*

Michael R. King, MD  
(Resident Member)  
*Lexington, Kentucky*

Gretchen M. Dickson  
(Student Member)  
*Pittsburgh, Pennsylvania*

(888) 794-7481  
(202) 232-9033  
Fax: (202) 232-9044  
E-mail: [capitol@aafp.org](mailto:capitol@aafp.org)  
<http://www.aafp.org>

The Honorable Nancy Johnson  
July 28, 2005 – page 2

Your bill does contain a very aggressive implementation schedule that we would suggest might have to be relaxed slightly. The AAFP supports a three-staged implementation that bases payment on:

- First, reporting on structural measures, like purchase of compatible health information technology and the implementation of a patient registry for specific disease conditions
- Second, participating in the data collection necessary to establish a baseline against which the practice will be measured, and
- Third, progressing toward or achieving specific performance measures.

A successful payment system needs to allow small and medium sized practices the time and opportunity to make the investments necessary to collect and report the data that will demonstrate quality improvement. This phased-in approach allows for CMS to adjust technology and staff, and to test and evaluate whole new means of reporting and payment, before the final systems are in place.

We would also suggest changing the reporting unit from the billing entity to the physician practice. We are promoting a team approach to the delivery of health care. In this new model of practice, the team will be responsible for the delivery of a wider range of services. Further, as a practical matter, it is the practice that invests in the quality improvement measures. A large multi-practice provider might efficiently have a single billing number, but it would not promote quality improvement if the large provider is measured against small or medium sized practices that do not have the financial means to make similar investments. Since most Medicare beneficiaries receive most of their health care in such small and medium sized practices, Congress should encourage their participation in quality improvement and value-based purchasing.

We would request clarification of the rating system that is envisioned in the bill. A system that creates a competition between providers is fraught with negative implications for health care improvement. Instead, CMS should be given the responsibility to report publicly the results of data collected that shows how well a physician practice is or is not meeting relevant performance measures.

Your draft bill courageously addresses many of the structural problems that are due to the age and popularity of this critically important health care system. We would be pleased to work with you and your staff for the passage of a legislation that will create a successful value-based purchasing system that will improve health care for Medicare patients.

Sincerely,



Michael Fleming, MD, FAAFP  
Board Chair