



American Academy of Family Physicians

June 21, 2007

Richard G. Popiel, M.D.
Horizon Blue Cross and Blue Shield of New Jersey
Vice President & Chief Medical Officer
Three Penn Plaza East – PP-07B
Newark, NJ 07105-2200

Dear Dr. Popiel,

I am writing on behalf of the American Academy of Family Physicians, which represents nearly 94,000 physicians and medical students nationwide, to ask that you and all other payers utilize a single conversion factor (money multiplier) in your physician fee schedules. We remind you that we asked you to adopt the increase in relative value units (RVUs) for evaluation and management (E/M) services that appear in the 2007 Medicare physician fee schedule and request in writing your plans to accept these requests, if you have not responded already.

By recommending these increases in the 2007 Medicare physician fee schedule, the Centers for Medicare and Medicaid Services (CMS) acknowledged what we and other specialties have known for a long time - many E/M services have been historically undervalued. The increases to the E/M codes are not a fix to the broken health care financing system, but a step in the right direction to support more appropriate payment for the added value provided to patients who have a family physician.

We have heard from our members that many payers are either not updating to the 2007 RVUs or are altering their conversion factors for E/M services to, in effect, neutralize any increase in payment. These actions defeat the intent of revaluing E/M services and we view it as showing a lack of support for family medicine and other primary providers of E/M services.

We have also heard from our members that many payers use different conversion factors for E/M services than they do for other services. AAFP believes that payment for services should be established according to a resource-based relative value scale that uses a single conversion factor for all

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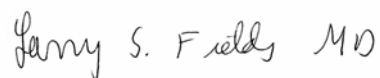
RE: Single conversion factor and RVU increases

physician services, just as Medicare does. Use of multiple conversion factors implies that some units of physician work (e.g., in surgery) are worth more than others (e.g., in E/M). Further, it can lead to paying different amounts for the same service. For example, when a different conversion factor is applied to surgical services than is applied to E/M services, the value of physician work associated with E/M services in the global surgical period is different than the value of physician work associated with E/M services outside the global surgical period. As a consequence, a physician may be paid different amounts for the same E/M service. We believe this is completely contrary to the notion of a “resource-based” relative value scale.

Moving beyond working under the current broken health care financing system, AAFP holds that physician payment reform is needed. Innovative payment models, such as those that utilize fee-for-service as a base then add a care management fee to the base and programs that offer positive performance incentives should be investigated. Furthermore, patient-centered medical home pilots are one way to test what the literature concludes: a primary care-based delivery system results not only in better outcomes than a sub-specialty-based system but delivers care more efficiently.

We look forward to receiving a written response from you and having open dialogue on this most important topic. Please contact Laura, at (800) 274-2237, ext. 4134 to arrange any follow-up conversations with the Academy on this important issue.

Sincerely,

Handwritten signature of Larry S. Fields MD in cursive script.

Larry S. Fields
Board Chair

Cc AAFP chapter executives