

# Health System Reform INSIGHT



June 3, 2011

Given the new direction for the nation's health system, the AMA has developed *Health System Reform Insight* to help you understand the Affordable Care Act and what it means to you and your patients.

## Shaping future physician payment systems

The Affordable Care Act (ACA) calls for pilot-testing new physician payment and care delivery models. Following ACA enactment, key questions for many physicians centered on the changes that may be required of their practices and the future of Medicare and other payment systems.

With respect to Medicare, the current sustainable growth rate (SGR) formula has produced recurring threats of steep cuts in Medicare payments, to which Congress has responded with stop-gap measures 12 times over the past decade. As a result, physician practices have been coping with continuous fiscal uncertainty while Medicare payments have lagged far behind the rate of growth in the cost of providing health care services.

The AMA has long advocated for permanent reform of the flawed payment formula, and a bipartisan consensus is emerging in Congress that the time for permanent Medicare payment reform is long past. Yet, the formidable SGR-accumulated debt of about \$300 billion dollars raises concerns about the payment system of the future.

Policymakers want to replace the current formula with a new system that provides stability for physicians and patients. At the same time, they want to abandon a payment structure that rewards service volume and move toward one




### June 6


Comments are due on proposed rules covering the Centers for Medicare & Medicaid Services' accountable care organization program. [Read](#) AMA's comments issued today.

### June 8

An AMA webinar at 7 p.m. Eastern time will detail the Medicare Patient Empowerment Act, [legislation](#) that would provide Medicare patients with greater choice and allow them to see the physicians they want and need to see. [Register](#) today.



[AMA letter on developing pathway toward reforming the Medicare physician payment system](#) 

[Letter in support of HEALTH Act to repair nation's medical liability system](#) 

[Advocating for improvements to the Affordable Care Act](#) 

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that incentivizes high-quality, patient-centered care while restraining growth in Medicare spending. Companies that provide health insurance for their employees in the private sector share these goals for improving care delivery and reining in the growth in health care costs and premiums.

Building on discussions with an SGR Task Force that includes seven state medical societies and seven national physician medical specialty societies, the AMA recently proposed a [framework to Congress](#) for reforming the Medicare physician payment system. This framework includes three steps:

- Immediate repeal of the SGR formula
- A period of payment stability of up to five years, to allow for the development and transition to new payment and delivery systems
- Providing a broad array of payment and delivery system options that will allow physicians to voluntarily participate in the model that is best suited to their practice situation, resources, and community needs


Members of the Task Force also agreed that physicians must lead in the development and organization of new payment and delivery models, both in Medicare and in the private sector.

To help organized medicine and individual physicians exercise this leadership and make informed decisions, the AMA is in the process of organizing a new Physician Payment and Delivery Reform Leadership Group. This group will support the data collection and analyses needed to fill our knowledge gaps and ensure that physicians have the information and resources to shape the development of these new systems of care and payment. Once an initial work plan and budget are established, all state and specialty medical societies will be invited to participate in this Leadership Group.


At the core of the Leadership Group are two sub-panels. A 12-member Committee of Innovators, comprised of physicians with hands-on experience with new care and delivery systems, has been appointed from a list of 56 nominations submitted from across the Federation. A 13-

[2011](#) 

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member Steering Committee of state and specialty society representatives has also been established. These two groups will meet for the first time on June 4 with the goal of identifying and prioritizing early projects and a timeline for their completion.

Congress and the Administration face the difficult task of reducing the rate of growth of government spending and shrinking the federal budget deficit, while at the same time preserving and improving access to care under Medicare. They also must confront the fact that the SGR formula has failed and must be repealed, and that new payment and delivery options need to be developed. While replacing the SGR is critical, it must be done correctly.

The new Leadership Group can allow the physician community to begin immediately to develop the knowledge base on the next generation of physician payment models that improve patient care, are feasible for implementation across specialties and practice settings, and provide financial security for physician practices. This will position physicians to remain effective leaders and shape the future of our health care system.

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#### **Feedback**

If you have specific comments on this edition of *Health System Reform Insight* simply reply to this message. For more general feedback on *Health System Reform Insight*, send an e-mail to [hsr@ama-assn.org](mailto:hsr@ama-assn.org) to alert the editor of your comments and concerns.

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