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ONE HUNDRED SEVENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

W.J. "BILLY" TAUZIN, LOUISIANA,
CHAIRMAN

February 4, 2002

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DAVID V. MARVENTANO, STAFF DIRECTOR

The Honorable David M. Walker
Comptroller General
U.S. General Accounting Office
441 G Street NW
Washington, DC 20548

Dear Comptroller General Walker:

This year, health care professionals paid under the Medicare physician fee schedule will experience the largest across-the-board payment cut since the fee schedule was first put in place a decade ago. We are concerned that such a cut unfairly penalizes these health care professionals and may put at risk beneficiaries' access to critical health care services.

On November 1, 2001, the Centers for Medicare & Medicaid Services announced that the 2002 factor used to update payment rates for individual physician services under the physician fee schedule will decrease by 4.8 percent, and the conversion factor for payments will be 5.4 percent below 2001 levels. Currently, Medicare law requires that a specific formula be used to calculate the annual update to the physician fee schedule. One component of this formula is the sustainable growth rate (SGR), which is essentially a target for Medicare spending growth for physician services. The SGR is based on four factors—including the change in gross domestic product, which has been criticized as not appropriately reflecting the increase or decrease in physician costs.

We intend to take action this year to overhaul the update formula to prevent such instability in payment changes from year to year and ensure physicians' continued ability to provide high quality care to Medicare beneficiaries. We are examining various options to modify the current update system or replace it with a new system that more fully accounts for changes in the costs of providing physician services. To assist us in this endeavor, please provide us with the following information:

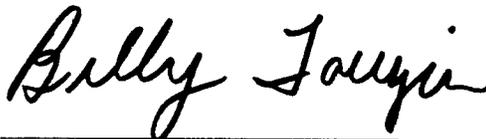
- (1) A detailed description of the inadequacies of the current update formula;
- (2) Recommendations regarding how we may replace or modify the update formula, and

- (3) An explanation of the advantages and disadvantages of alternative update mechanisms, including the recommendation made by MedPAC.

Because we plan to have a hearing on this issue soon, we must ask that you provide a response to this request by Tuesday, February 12, 2002. We apologize for the short time frame but the urgency of this issue requires us to act as expeditiously as possible.

Thank you in advance for your cooperation. The General Accounting Office has provided our Committee with meaningful assistance over the years and we look forward to your continued assistance as we work to develop an update formula that will appropriately reflect physician costs and ensure that Medicare beneficiaries continue to receive the quality care they deserve. If you have any questions regarding this request, please contact Patrick Morrisey and Erin Kuhls of the Majority staff at 202-225-2927 or Bridgett Taylor and Amy Hall of the Minority staff at 202-226-3400.

Sincerely,



W.J. "Billy" Tauzin
Chairman
Committee on Energy and Commerce



John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce



Michael Bilirakis
Chairman
Subcommittee on Health
Committee on Energy and Commerce



Sherrod Brown
Ranking Minority Member
Subcommittee on Health
Committee on Energy and Commerce