



The Voice of Accountable Physician Groups

March 25, 2015

Chairman Orrin Hatch
Senate Finance Committee
219 Dirksen Senate Building
Washington, DC 20510

Ranking Member Sander Levin
House Committee on Ways & Means
1106 Longworth House Office Building
Washington, DC 20510

Ranking Member Ron Wyden
Senate Finance Committee
219 Dirksen Senate Building
Washington, DC 20510

Chairman Fred Upton
Energy & Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

Chairman Paul Ryan
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

Ranking Member Frank Pallone
Energy & Commerce Committee
2322A Rayburn House Office Building
Washington, DC 20515

Dear Senators Hatch and Wyden and Representatives Ryan, Levin, Upton and Pallone,

On behalf of CAPG, representing 180 medical groups serving tens of thousands of patients in over 30 states, I write to express strong support for H.R. 2, which would permanently repeal and replace the flawed sustainable growth rate (SGR) formula.

Congress now has an opportunity to provide certainty and stability for patients and their doctors in the Medicare fee-for-service system. We also emphasize that permanently repealing and replacing the SGR formula would provide important and necessary stability for Medicare Advantage in the form of certainty of underlying rates.

Among other things, H.R. 2 replaces the flawed SGR formula with a period of stable payments and then creates incentives for physicians to enter two-sided risk alternative

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payment models. CAPG strongly supports the structure that encourages physician groups to take significant steps into coordinated care delivery models in fee-for-service Medicare.

As background, CAPG members receive value-based payments from payers, including Medicare Advantage. As an example, most CAPG member medical groups are capitated in Medicare Advantage (MA); some are globally capitated for both professional and hospital services. In this model, medical groups receive a defined, pre-paid budget to provide care for a defined population. This population-based payment approach avoids the high utilization incentives in fee-for-service and instead aligns incentives for physicians to innovate to provide the best care and to improve the health of entire populations of seniors. Our members' value-based payment arrangements create incentives for (1) a team-based approach that emphasizes primary care; (2) physician organizations to provide the right care at the right time in the most appropriate setting; and (3) a care team that addresses the patient's total care needs, including mental, behavioral, and environmental factors.

In short, CAPG members are practicing in these two-sided risk models today, however, this experience typically comes from outside of traditional Medicare. From decades of practicing in risk-based coordinated care we know that the alignment of incentives leads to better outcomes for patients. Patients in coordinated delivery models experience lower rates of preventable readmissions, lower hospital utilization, and higher rates of preventive screenings and services. Our member medical groups find that patients in coordinated care delivery models also report greater patient satisfaction than fragmented, fee-for-service care delivery.

We recognize that the language in H.R. 2 represents many compromises and is far from perfect. On balance, we support the legislation because of the important benefits outlined above. However, we look forward to working with Congress either on this legislation or future legislation to accelerate the movement to risk-based coordinated care.

We continue to see potential improvements to the timing and structure of the alternative payment model provisions in the bill. As currently written in the SGR legislation, incentives for delivery model change would not begin until 2019. At that time doctors would receive a 5% bonus for 100% of their Part B patients (including those not enjoying the benefits of coordinated care) for having 25% of their patients, in a two-sided risk model. The threshold increases over time but the incentive remains the same in that the 5% bonus applies to all fee-for-service patients, regardless of participation in the alternative payment model. Instead, CAPG would encourage Congress to start these incentives January 1, 2016 and apply the incentives only to those patients that are aligned

to or participating in the alternative payment model.

We recognize the tremendous opportunity to create stability for physician pay and put to rest the annual issue of correcting physician pay. We certainly support the goals of overall stability and certainty in Medicare payments, for both fee-for-service and Medicare Advantage. We also see the opportunity to fundamentally alter the course of healthcare delivery toward better value. We look forward to working with you to advance coordinated care for all of America's seniors.

Sincerely

A handwritten signature in cursive script, appearing to read "Donald H. Crane".

DONALD H. CRANE
President & CEO