



Association of  
American Medical Colleges  
2450 N Street, N.W., Washington, D.C. 20037-1127  
T 202 828 0400 F 202 828 1125  
www.aamc.org

January 13, 2012

The Honorable John Barrasso  
The Honorable Max Baucus  
The Honorable Xavier Becerra  
The Honorable Kevin Brady  
The Honorable Dave Camp  
The Honorable Ben Cardin  
The Honorable Bob Casey  
The Honorable Mike Crapo  
The Honorable Renee Ellmers  
The Honorable Nan Hayworth

The Honorable Jon Kyl  
The Honorable Sander Levin  
The Honorable Tom Price  
The Honorable Jack Reed  
The Honorable Tom Reed  
The Honorable Allyson Schwartz  
The Honorable Fred Upton  
The Honorable Chris Van Hollen  
The Honorable Greg Walden  
The Honorable Henry Waxman

Dear Conferee:

On behalf of our nation's teaching hospitals and their hospital outpatient departments (HOPDs), physician faculty, and medical schools, we write to emphasize the Association of American Medical Colleges' (AAMC's) continued opposition to the proposed payment reductions for Evaluation and Management services (E/M) in HOPDs that were included in H.R. 3630, The Middle Class Tax Relief and Job Creation Act of 2011. While we strongly support the need to address pending physician payment cuts, resulting from the Sustainable Growth Rate (SGR), we do not support making HOPD changes as a way to pay for the SGR.

The AAMC represents 114,000 faculty physicians, 110,000 resident physicians and 75,000 medical students and supports long-term SGR reform, as it is essential to ensuring access for Medicare beneficiaries. However, the AAMC is very concerned that proposed HOPD reductions will result in reduced access to patient care and would adversely impact medical resident training in these facilities. While addressing the SGR is critical, it should not be done at the expense of patients' access to care in HOPDs or providing training in these sites to medical residents.

The proposed HOPD cuts are counter-productive, as they are likely to result in the closure of some HOPDs and the reduction of services in others, greatly affecting the vulnerable populations--especially those with complex medical problems--that receive care there, and limiting the ability to train the next generation of health professionals in these outpatient settings. For these reasons, the AAMC strongly urges you to reject the HOPD cuts and again commits to working with you to address the long-standing problem of replacing Medicare's physician payment system with a sustainable solution.

### **The MedPAC Recommendation is Premature**

On January 12, 2012, the Medicare Payment Advisory Commission (MedPAC) finalized its recommendation to reduce E/M payment rates for hospital outpatient settings. While MedPAC has raised important concerns about the HOPD payment system that warrant exploration, the MedPAC discussion also illuminated the very important role that many HOPDs play in serving vulnerable populations.

Nonetheless, MedPAC voted to recommend that the payments in HOPDs be reduced to the level of payment in physician offices without any further study of possible beneficiary impacts until proposed changes are already in place.

The Commission also recommended this HOPD change be phased in over a three-year transition and a suggested a stop loss should be included that exempts a very limited number of hospitals from the HOPD change. MedPAC also recommended the Secretary monitor the impact of the change and issue a report in 2015. While it is certainly helpful that a policy of this magnitude is phased-in, and a limited stop loss is allowed, AAMC strongly believes the proposed changes should be studied before they are implemented. A study released well after the policy is implemented would be too late for those HOPDs that have already closed, reduced their services or moved resident training out of these sites as a result of this change.

### **Proposed HOPDs Changes Will Jeopardize Patient Care Coordination**

In addition to providing safety net services, HOPDs provide unique services that physician office settings do not, including:

- Comprehensive and coordinated care settings for patients with chronic or complex conditions, such as pain centers or cancer clinics. Many centers of excellence are based in hospital settings and provide outstanding team-based, patient-centered care, the gold standard of care; and
- Wrap around services, such as translators.

Finally, HOPD clinics encourage communication and alignment across provider sectors. Reducing support for HOPDs would create strains and could impose barriers to continuing these important patient care coordination activities.

### **Proposed HOPD Changes are Unsustainable**

As you may know, the average Medicare margins in hospital outpatient departments in 2010 were negative 9.6 percent. In MedPAC's recommendation analysis, however, the impact was reported in terms of total Medicare revenue and did not isolate the impact on outpatient margins that already operate at a substantial loss. When viewed this way, one Commissioner noted that the recommendation could reduce outpatient margins at some hospitals to negative 20 percent, an amount that is unsustainable without affecting access to care.

Implementing the proposed HOPD cuts will have a disproportionate impact on America's teaching hospitals, physicians who work in these settings and the patients they serve, including:

- A total impact of nearly \$300 million per year across the academic medical center (AMC) community;
- In nearly half of AMCs, more than 50 percent of Medicare visits are provided in hospital-based clinics resulting in a disproportionate impact on teaching hospitals; and

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- A median loss of \$5.5 million per AMC per year among these AMCs with a high proportion of hospital-based clinic activity.

**For all of the reasons stated above, the AAMC strongly opposes proposed changes to E/M payment rates in the HOPD setting.**

While the AAMC appreciates efforts to address the problematic SGR formula, cutting Medicare payments to hospital outpatient departments to pay for an SGR patch is counter-productive and would reduce teaching hospitals' ability to provide outpatient care to vulnerable populations, and will make it more difficult to train physicians and other health care providers in an integrated, team-based environment. The AAMC urges you to reject HOPD payment policy changes and look forward to working with you to address the long-standing problem of replacing Medicare's physician payment system with a sustainable solution.

Sincerely,

A handwritten signature in black ink, appearing to read 'Atul Grover', with a stylized flourish at the end.

Atul Grover, M.D., Ph.D.  
AAMC Chief Public Policy Officer