



AMA Update on Health System Reform



MCMS Medical Practice Retreat



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7 Critical HSR Elements for AMA



- Provide coverage for all Americans
- Insurance market reforms to expand affordable coverage choice and eliminate denials for pre-existing conditions



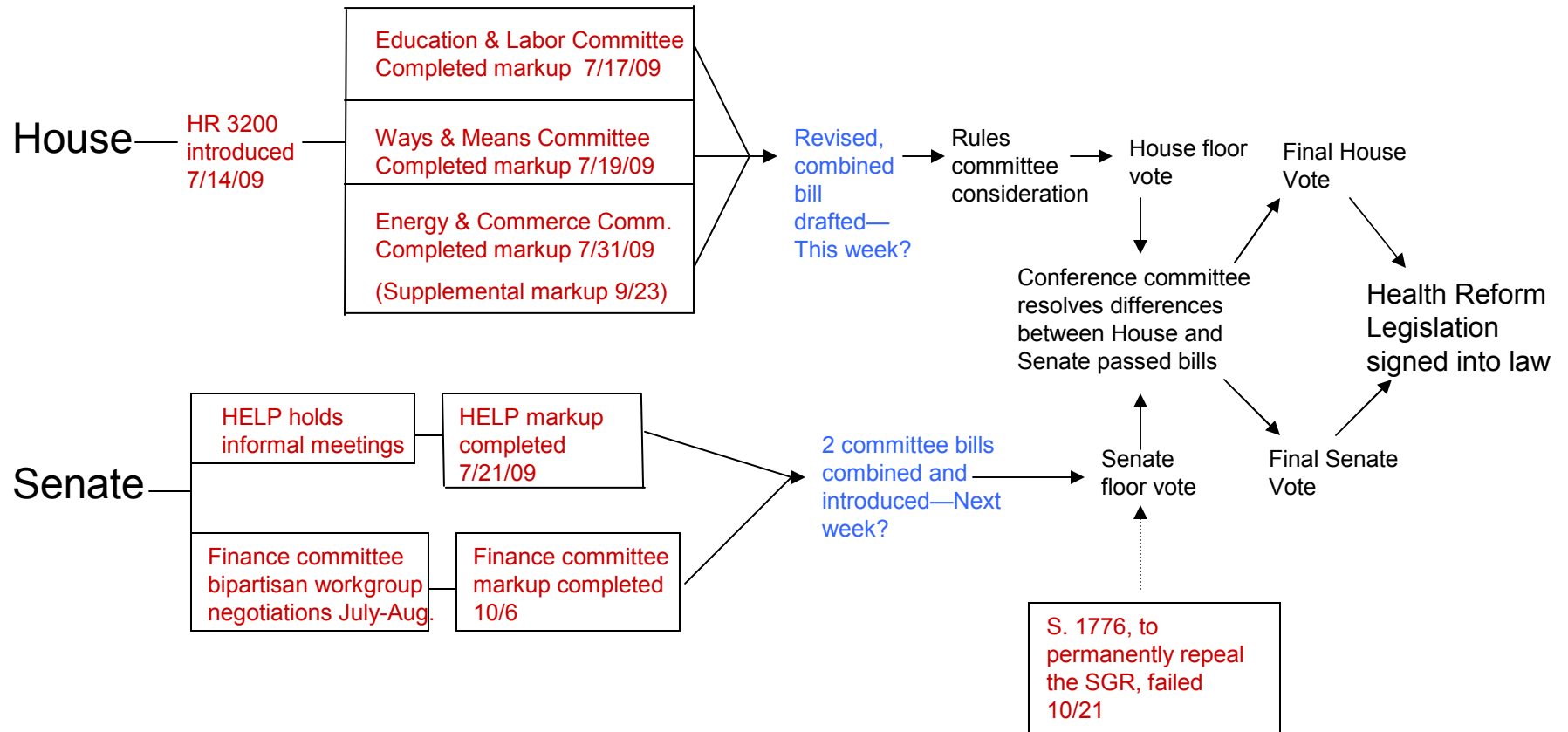
- Assure health care decisions are made by physicians, not insurers or government
- Investments in quality improvement, prevention, wellness



- Repeal SGR
- Medical liability reform
- Reduce administrative burdens



Current Status of Health System Reform Legislation



Red text indicates steps completed



House Status



- HR 3200 considered by 3 committees
 - Consolidated product expected this week
- Single version headed to House floor before Veterans Day
- Democrats have clear, if not unified, majority
- Expect a floor vote on a single payer system





Key (Likely) House Provisions



- Insurance market reforms, health insurance exchanges
- Subsidies for low income individuals, small businesses
- Public plan option
 - Proposed negotiated rates may not be retained
- Individual and employer mandates
- Prevention and wellness incentives
- Administrative simplifications





Key House Provisions for Physicians



- Eliminates and rebases SGR
 - Replaces with 2 more favorable targets
 - SGR vote may be taken separately
- 5% bonus for primary care, no pay reductions for others
- Improves PQRI and extends bonuses
 - No penalties
- Imaging services payment reductions
- Pilots for civil justice alternatives
 - Less broad than Administration's grant program





Senate Status



- Senate HELP Committee consideration completed in July
- Senate Finance Committee completed action Oct. 6
- Floor vote expected mid-November
- Pathway announced Oct. 14 for SGR repeal





Key (Likely) Senate Provisions



- Insurance market reforms, health insurance exchanges
- Subsidies for low income individuals, small businesses



- Co-ops instead of public plan option
- Individual mandate; employers >50 reimburse government for “affordability credits”



- Prevention and wellness incentives
- Administrative simplifications
- Many workforce enhancements in HELP bill



They Said it Couldn't be Done...





Key Senate Provisions for Physicians



- 0.5% Medicare update for 2010
- 10% bonus for primary care and rural general surgeons for 5 years
 - Offset by 0.5% cut in non primary care services
- Imaging services payment reductions
- Provider enrollment fees
- Mandatory PQRI participation
- Penalties for high resource use
- Independent Medicare Commission
- Value based purchasing modifier
- Practice expense GPCI adjustments
- Medical liability reform proving to be a hot button issue



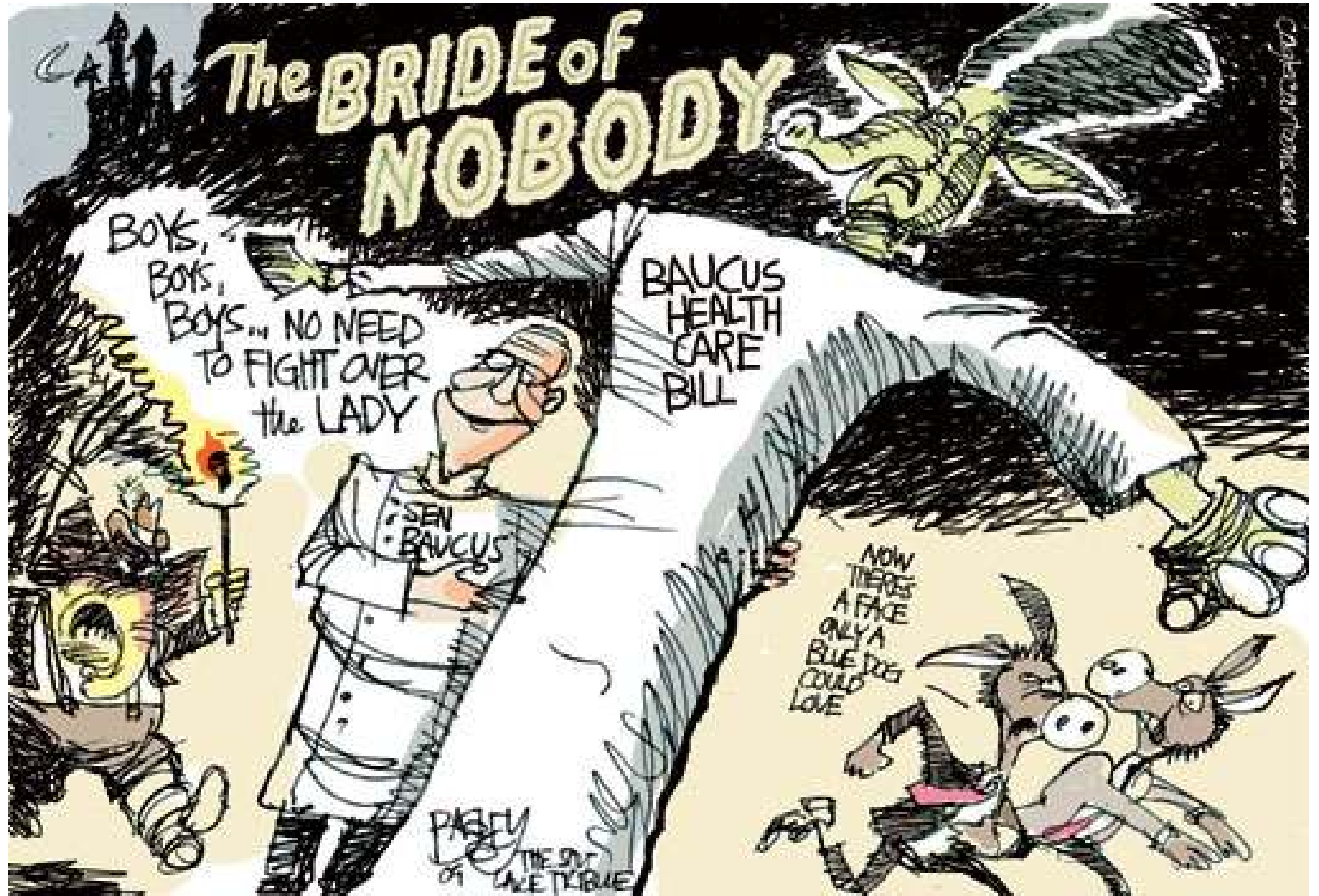


Current and Proposed Incentives



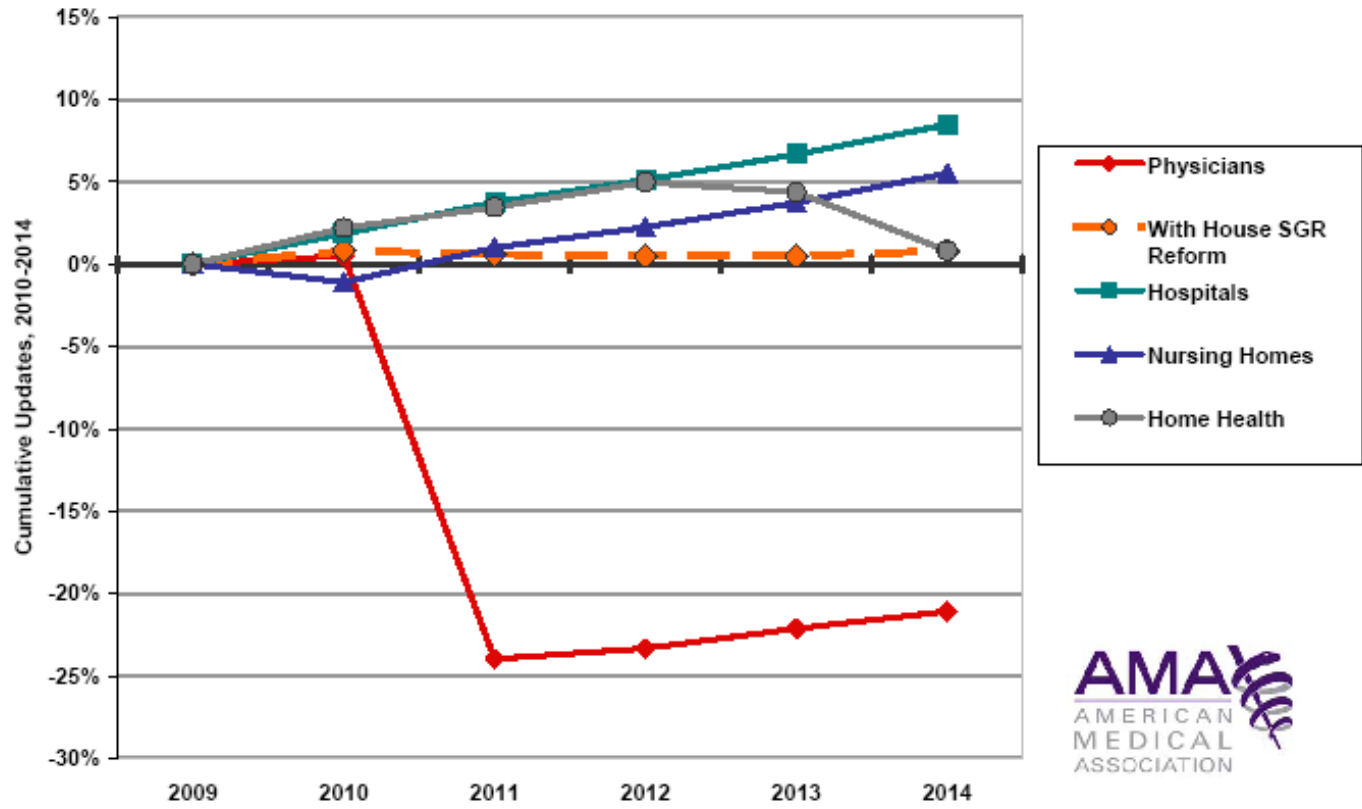
CY	E-Rx	Health IT	PQRI	Outlier	IMAC Targets
2009	2%		2%		
2010	2%		2%		
2011	1%	\$18K	1%		
2012	1% (-1%)	\$12-18K	0.5%		
2013	0.5% (-1.5%)	\$8-15K	(-1.5%)		
2014	(-2%)	\$4-12K	(-2%)		
2015		\$2-8K (-1%)	(-2%)	(-5%)	(-0.5%)
2016		\$2-4K (-2%)	(-2%)	(-5%)	(-1%)
2017		(-3%)	(-2%)	(-5%)	(-1.25%)
2018		(-3%)	(-2%)	(-5%)	(-1.5%)







Medicare Payment Updates Under "America's Healthy Future Act"

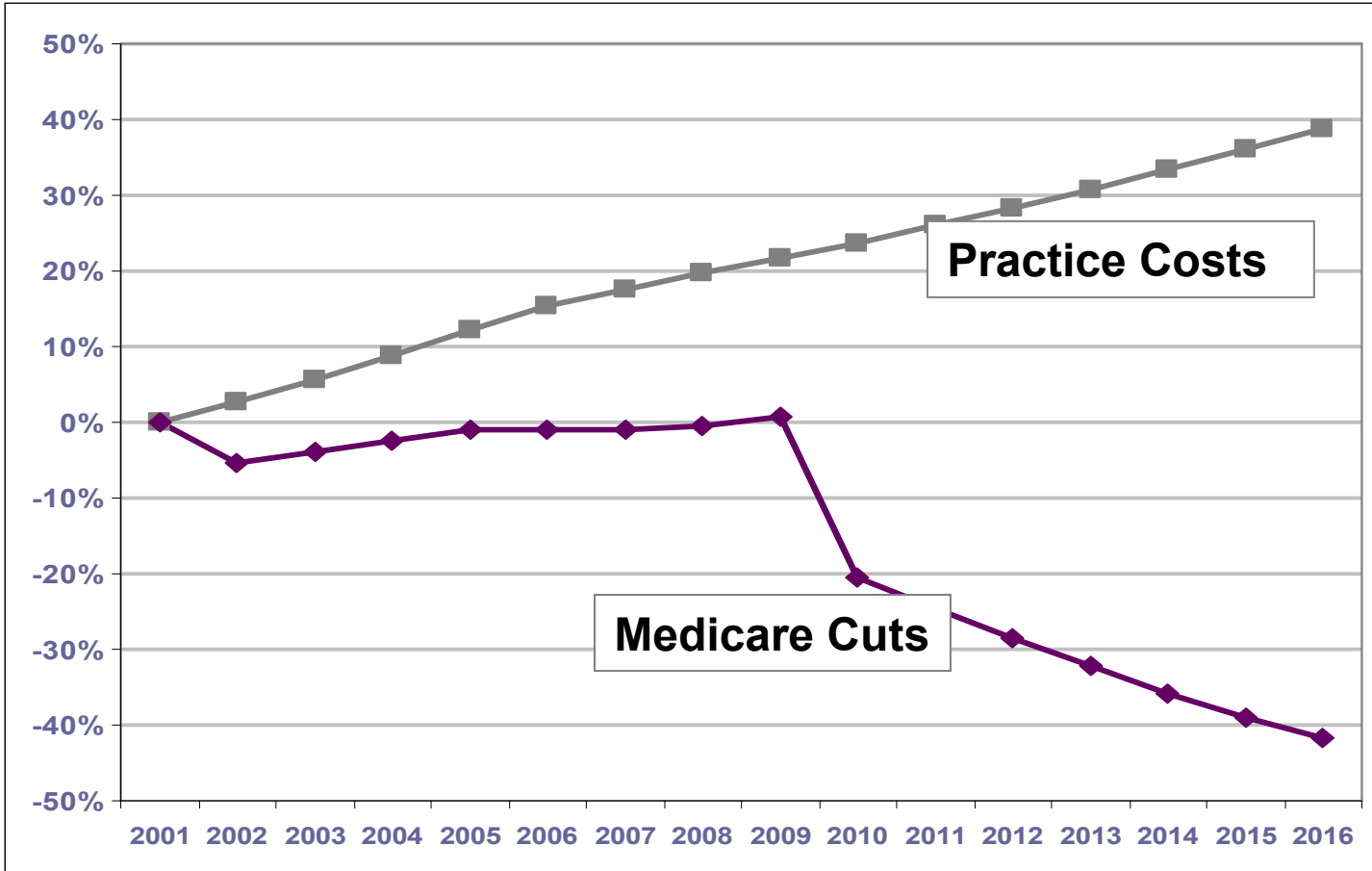


Sources: 2010 updates and 2010-14 market basket forecasts from CMS. Pay updates based on market basket reductions in legislation. House SGR reform updates based on AMA analysis. Does not include other proposed payment policy changes.





The Medicare Dilemma: Practice Costs vs. Medicare Payment Updates

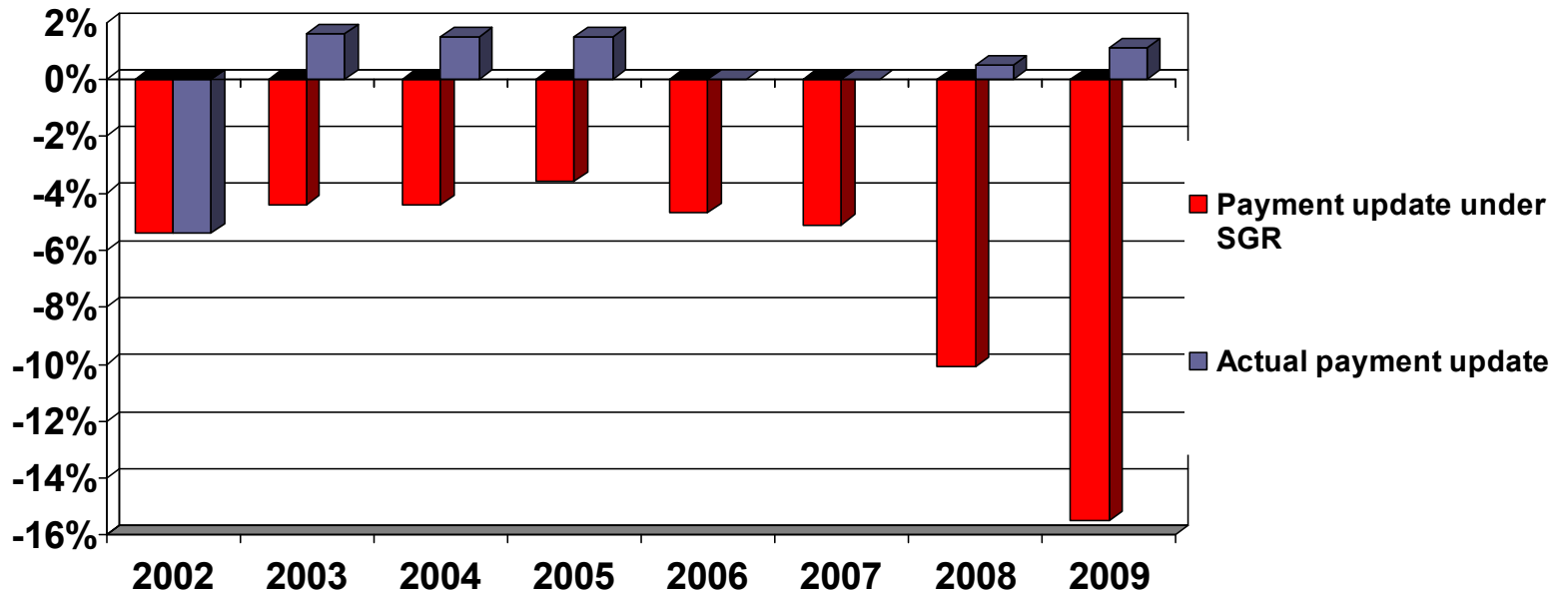


Physician cost data is from the MEI, a conservative measure of practice cost growth maintained by CMS. Medicare cuts are from the 2008 Medicare Trustees report, with adjustments to reflect Sec. 131 of P.L. 110-275. Prepared by American Medical Association, Division of Economic and Health Policy Research, August 2008.

Recent Medicare Payment History



Physician Payment Updates Under the SGR
2002-2009





Growing Cost of Short-Term Solutions

Date of CBO Score	Freeze – 10 Year Score	MEI – 10 Year Score
February 28, 2002	-----	\$126 billion (based upon 2001 and 2002 MedPAC recommendation)
May 5, 2004	-----	\$95 billion
March 24, 2005	\$48.6 billion	\$154.5 billion
March 24, 2006	\$127.2 billion	\$218.2 billion
January 2007	\$170.8 billion	\$252.2 billion
March 2007	\$177.7 billion	\$262.1 billion
March 14, 2008	\$220.1 billion	\$288.1 billion
May 7, 2009	\$285 billion	\$344 billion





Senate Pathway for SGR Repeal



- S. 1776, “Medicare Physicians Fairness Act of 2009”
 - Introduced by Sen. Debbie Stabenow (D-MI) 10/12
 - Repeals the SGR
 - Resets Medicare payments at current levels
- Not true reform—clears the path for new update system
 - Avoids budget constraints
 - New system will be incorporated into HSR legislation
- **Cloture vote failed October 21, 47-53**
 - Referendum on budget deficit and health system reform costs, not on need to reform physician payments
 - Increases focus on proposed negative incentives for physicians in Finance package
- House leadership statement reaffirmed commitment to permanent SGR reform





Outlook

Strategy

Controversies



