November 12, 2013

To: sgrcomments@finance.senate.gov
To: sgrwhitepaper@mail.house.gov
From: National Association of ACOs
Re: Discussion Draft - SGR Repeal and Medicare Physician Payment Reform
Date: November 12, 2013

On behalf of the National Association of ACOs (NAACOS), we are pleased to submit the following comments to the Senate Finance Committee and House Ways and Means Committee regarding the Medicare SGR Repeal and Medicare Physician Payment Reform discussion draft (Discussion Draft). NAACOS is the only member-owned and governed association representing the interests of ACOs. Our members comprise about a third of the ACOs in the Medicare Shared Savings Program (MSSP) and Pioneer ACO Model, with over one million assigned beneficiaries.

NAACOS supports the Committees' work in pursuing a much-needed overhaul of the Medicare sustainable growth rate (SGR) formula and praises Committee members and staff for working in a bipartisan, bicameral fashion to address this urgent issue. For a decade, physicians participating in the Medicare program have been held hostage to annual threats of severe reimbursement reductions that threaten the quality and continuity of care received by Medicare beneficiaries.

NAACOS supports Section II of the Discussion Draft, "Value-Based Performance (VBP) Payment Program." ACOs lead the way in enhancing the quality of care provided to Medicare beneficiaries through coordinated care. By streamlining current value-based payment penalties and programs into one VBP program, the Medicare program will reduce the administrative burden on providers and CMS and enhance the ability to compare quality across the Medicare physician payment spectrum and reward the highest quality physicians.

We enthusiastically endorse the proposal under the Discussion Draft's Section V, "Ensuring Accurate Valuation of Services Under the Physician Fee Schedule." We believe the imbalance of membership of the Relative Value Scale Update Committee (RUC) has led to a substantial over-valuation of specialist fees and under-valuation of primary care practitioner fees. We also believe the current survey of physician time by code is scientifically flawed, un-auditable, and ultimately harmful to Medicare beneficiaries. We would be pleased to work with the Committees, CMS, and stakeholders to establish more scientifically-accurate methods for determining physician time in the relative value scale.

We believe it is important to note our reservations with Section III of the Discussion Draft, "Encouraging Alternative Payment Model Participation," and are happy to submit the following thoughts to this important area. There is no evidence that two-sided financial risk models produce more savings than one-sided models. We propose that the alternative payment model (APM) bonus apply to all physicians participating in an ACO payment model program or demonstration. (Alternatively, bonus payments should be available to at least ACOs that achieve savings.) Even if two-sided ACOs produced greater savings per Medicare beneficiary, they will produce substantially less in the aggregate than one-sided programs as far fewer organizations will agree to participate in a two-sided APM. A two-sided only APM would exclude every physician that otherwise would participate in a one-sided APM. Even in the CMS Pioneer ACO Model, which was designed for

advanced ACOs, several organizations decided to withdraw from this two-sided risk model after just one year. Limiting the APM to two-sided risk models may exclude even the most advanced physician organizations, let alone the vast majority of the remainder of Medicare participating physicians.

An informal poll of roughly 100 one-sided risk model ACOs showed that less than 10% would have applied to participate if the only option was two-sided risk. Further, the one-sided MSSP organizations already bear substantial risk due to the enormous investment they are making in first year start-up costs. A recent national survey of the NAACOS members and non-members has shown a cross section of ACOs by size has invested an average of $2.2 million in first year start-up costs. Over $900,000 was spent on average for internal and external information technology in the first year. This is substantial risk, in many cases born exclusively by small physician medical groups, with little assurance they will begin receiving savings 18 months later. This investment alone will drive the one-sided ACOs to work hard on redesigning care and achieve savings.

On behalf of NAACOS, I appreciate the opportunity to submit comments to the Discussion Draft and look forward to working with the Committees to finalize and enact an overhaul of the Medicare SGR formula that ensures the highest quality of care delivered to Medicare beneficiaries and preserves Medicare's solvency.

Respectfully submitted,

Clifton Gaus
President and CEO