



March 24, 2006

Mark McClellan, MD, PhD
Administrator
Centers for Medicare and Medicaid Services
Department of Health and Human Services
P.O. Box 8017
Baltimore, MD 21244-8018

Dear Dr. McClellan:

On behalf of the community of cardiovascular specialist physicians, the American College of Cardiology (ACC), the American Society of Echocardiography (ASE), the American Society of Nuclear Cardiology (ASNC), the Heart Rhythm Society (HRS), the Society for Cardiovascular Angiography and Interventions (SCA&I), the Society for Vascular Medicine and Biology (SVMB), the Heart Failure Society of America (HFSA), and the Society for Cardiovascular Computed Tomography (SCCT) are pleased to offer comments on the issues involved in the possible revision of the practice expense component of Medicare's RBRVS. Our organizations are committed to improving cardiovascular care for Medicare beneficiaries.

The cardiology community supports rational and equitable physician payment policies for the Medicare program. We believe that any revisions to the practice expense component of the RBRVS should be methodologically sound and driven by the accurate, representative data on physicians' practice costs. The practice expense methodology should provide equitable, stable, and predictable

compensation for practice expenses across physician specialty, provider type, and service site. Proposals to change the current methodology should also attempt to moderate potential disruptions to service delivery that could result from large, abrupt swings in payment levels.

We have evaluated the information presented at the February 15 Town Hall meeting against the criteria described above and have concluded that CMS should not proceed with proposing a new practice expense methodology for implementation in 2007. Our reasons for this conclusion, along with our recommendations for proceeding with revisions to the practice expense methodology on a more realistic timeline follow.

Context for revising the practice expense methodology

CMS and the physician community face significant challenges during 2006 and 2007.

- The five year review of the physician work component of the RBRVS will be implemented in 2007. The changes recommended by the RUC are likely to have large distributional effects – both direct effects on work RVUs and indirect effect on practice expense RVUs.
- Cuts in payment for in-office imaging procedures dictated by the Deficit Reduction Act will affect several physician specialties, including some of those most likely to face significant reductions in practice expense RVUs under a revised methodology.
- Congress intends to begin phasing in a pay-for-performance system for physicians in 2007. Physicians will incur increased practice expenses and experience practice disruption in order to respond to this mandate.
- Physicians face a 4.6% cut in Medicare payments in 2007 due to the SGR formula.

These changes alone are of such significance that we believe a proposal to fundamentally alter the practice expense methodology for 2007 is ill-timed. **We urge CMS to delay implementing a revised practice expense methodology until 2008 at the earliest.**

The cardiology community has significant concerns about the substance and the impact of the new approaches to a practice expense methodology CMS presented at the Town Hall meeting. In spite of CMS's stated objective of establishing a methodology that is transparent and easily understood, the data, assumptions and basic formulas underlying the four methods remain unclear. CMS staff have indicated that the four methods presented are meant only to be illustrative of some of the possibilities under consideration and that a proposed rule could advance a different methodology. The presentation of four methodologies – of which none may be finally proposed – in itself suggests that CMS is unsure how to proceed. If CMS cannot present a clear plan for revising a complex

methodology, the physician community cannot be expected to provide meaningful comments and recommendations within such a compressed timeframe.

The widely varying impact of the four methods presented raises concerns that the underlying approach is not robust and is far too sensitive to differences in assumptions and data sources. For example, Table 5 of the Town Hall materials shows impacts ranging from -2% to +18% for allergy/immunology and from +4% to -11% for radiation oncology. The difference between the lower impact of -3% and the higher impact of -6% for cardiology represents a swing of approximately \$210 million in Medicare payments. This level of volatility hinders what we believe is a sincere effort on CMS's part to engage in an open and productive dialogue on the best way to revise the practice expense methodology.

Non physician work pool

The cardiology community recognizes that revising the practice expense methodology and eliminating the non physician work pool (NPWP) are part of the longstanding effort to implement a fully resource based practice expense component. We recognize, also, that the NPWP was intended to be temporary -- put in place because of concerns about the accuracy of data for NPWP specialties and services and the appropriate allocation of indirect costs to NPWP services. CMS's proposals for eliminating the NPWP, however, fail to address the key issue of indirect cost allocation. Using direct costs and physician work RVUs to allocate indirect costs may work reasonably well for many services in the RBRVS, but it has a devastating impact on many NPWP services. **We urge CMS to work collaboratively with the NPWP specialties to develop a fair solution that adequately accounts for the different cost structures for these services.** We recommend that CMS model the impacts of some of the alternative approaches to indirect cost allocation that have been identified, for example, the use of proxy work RVUs for NPWP services.

Sources of practice expense per hour data

Cardiology agrees that obtaining accurate, current data on practice costs for all physician specialties and all providers paid under the Medicare Physician Fee Schedule will be important to the long-term fairness and validity of the RBRVS. That is why we responded to CMS' call for supplemental practice expense data. Recognizing that CMS does not have this type of audited data for other specialties outside of the NPWP, we are aware of and participating in discussions with the American Medical Association and other specialty societies about the possibility of conducting a multi-specialty survey sponsored by the medical community. We have not yet reached a conclusion about the best, most appropriate way for CMS to obtain the data it needs to support the physician payment system. We note that data from an AMA/specialty society sponsored survey will

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not be available for implementation until the 2009 fee schedule at the earliest. Cardiology will continue to be involved in discussions with the AMA, the specialty societies and other interested groups as they move forward. As noted above, the cardiology community strongly urges CMS to delay plans to revise the practice expense methodology in 2007. If CMS does proceed with a new practice expense methodology for 2007, though, it is essential that the revised methodology incorporate all accepted supplemental survey data in a consistent fashion.

Direct cost issues

CMS has asked for comments on several issues related to accurate estimation of direct costs. Two of the issues raised, interest rates for equipment purchase and utilization rates for equipment, are of critical importance to services likely to be affected by a revised methodology. Economic conditions and typical medical practice may have changed since the resource based practice expense methodology was first implemented, so examination of these assumptions is probably appropriate. We are not aware of any reliable data sources that would allow us to provide specific recommendations at this point. As CMS examines issues related to the cost of purchasing and using medical equipment, we urge a broad-based, data-driven analysis, not a focus on specific types of equipment.

Conclusions

Our assessment of the current environment facing physicians, along with our evaluation of the data and methods CMS has presented leads the cardiology community to conclude that no major methodological changes to the practice expense component should be enacted in 2007. We urge CMS to use the intervening time to develop a robust methodology that compensates all providers for their practice expenses equitably. In addition, CMS should be prepared at that time to publish a proposed rule that provides enough detail about data sources, assumptions, and formulas so that interested parties can reproduce the method and its impacts. If redistributions resulting from the proposed change are large, the revised methodology will need to be phased in.

Cardiology is encouraged by CMS's apparent willingness to have an open dialogue with physicians and other affected providers on this important and complex issue. We urge you to maintain this dialogue and continue to accept comments and recommendations from interested parties as efforts to strengthen the RBRVS continue.

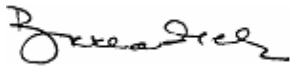
Again, thank you for the opportunity to comment. If you have questions or if we can be of any assistance, please contact Rebecca Kelly, ACC Director of Regulatory Affairs at 301-493-2398 or rkelly@acc.org.

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Sincerely,



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President, American Society of Echocardiography



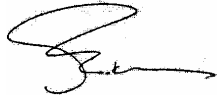
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