



May 20, 2010

Dear Members of the California Congressional Delegation:

The California Medical Association (CMA) is writing to express our support for the Medicaid and Medicare provisions in HR 4213, "The American Jobs and Closing Tax Loopholes Act of 2010."

The legislation will provide at least **\$3 billion in increased Federal Medicaid Matching funds (FMAP)** to financially-strapped California through June 30, 2011. This funding is crucial to maintaining access to doctors in the state's Medi-Cal program.

CMA is also supporting the Medicare SGR and GPCI physician payment provisions. While we are profoundly disappointed that Congress did not adopt a permanent repeal of the Medicare SGR formula, we have concluded that this is the most politically viable option to provide some short-term relief for California physicians. Overall, the bill will stop the 40% Medicare physician payment cuts and provide potentially stable updates for three years (2010 – 1.3%; 2011 – 1%; 2012-2013 – GDP +1% for E&M services and GDP +2% for all other services).

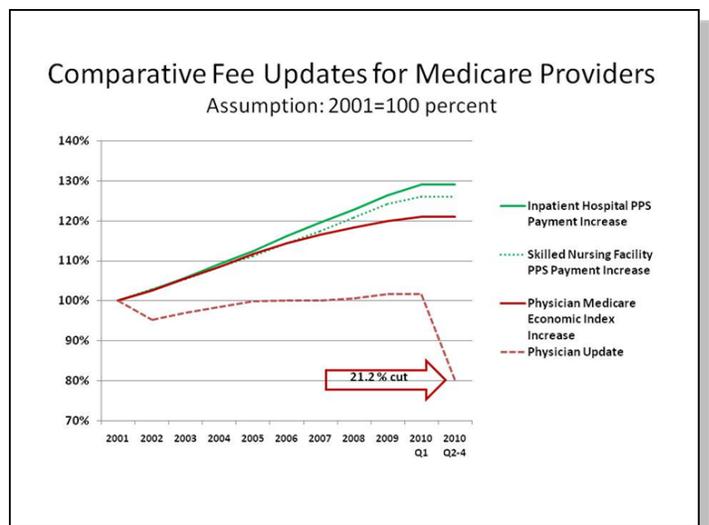
We recognize that the political and fiscal climate in Congress has changed dramatically this year with more Representatives and Senators are becoming alarmed by our nation's debt and the escalating deficit and are therefore less able to find \$200 billion to repeal the SGR. In California, many solo and small group physicians are also in financial trouble and are at-risk of closing their practices. California seniors are concerned that they may not find a doctor who can stand by them when illness or tragedy strikes. Failing to stop the cuts and provide immediate stable updates would impose serious hardship on physicians and impair access to care for California seniors and military families. Therefore, we are supporting some short-term relief.

The "CA GPCI Fix" is a significant reform that will substantially improve access to physicians in 14 California counties (El Dorado, Marin, Monterey, Placer, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, Santa Cruz, Sonoma and Yolo). The fix will update California's payment locality borders to Metropolitan Statistical Areas so that Medicare accurately reimburses physicians based on their geographic practice costs. These borders have not been substantially updated in decades. It will increase payments by up to 13% in 14 California counties and hold the rural physicians harmless from cuts. We have been advocating for this change for nearly a decade. GAO, MedPAC, Acumen for CMS, and Urban Institute have all studied the problem and independently recommended the localities be updated.

Impact of the Medicare Payment Formula on California Physicians

As you can see from the graph at right, California Medicare physician payments lag 20% behind the Medicare Economic Index – a conservative index of what it costs to provide care. While all other Medicare providers (health plans, hospitals, nursing homes) were given cost-of-living increases over the past several years, physician rates were stagnant. Moreover, private health plan rates track Medicare rates so the impact on California physicians is devastating. It is not sustainable.

The second graph illustrates that physician practices are working under thin financial margins. Medicare reimbursement rates barely cover the cost to provide

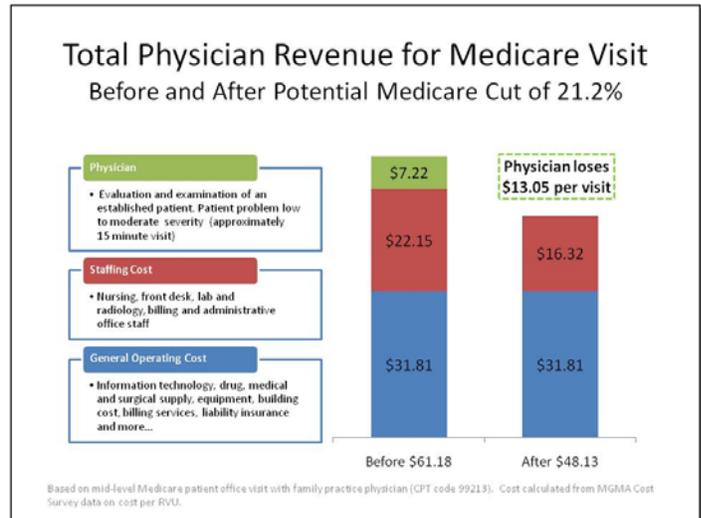


care. Under the current Medicare fee schedule a physician only makes \$7.22 for an established patient office visit. If the 21% SGR cut occurs, physicians will lose money on each Medicare patient and be forced to close their doors.

Results of a 2010 Statewide Physician Survey

A recent (April-May 2010) CMA-County Medical Society Medicare survey shows that if the Medicare SGR formula is not fixed:

- 72% of California physicians will reduce the number of NEW Medicare patients in their practice or Stop accepting NEW Medicare patients altogether.
- 55% of California physicians will reduce the number of EXISTING Medicare patients in their practice or stop seeing ALL EXISTING Medicare patients



Negative Impact on the Economy If Physician Practices Forced To Close

If physicians are forced to cut-back or close their doors, the impact on local economies would be substantial. Physician practices are important small business employers in their communities. CMA conservatively estimates that physicians employ more than 500,000 nurses and other staff across the state. Large medical groups are integral to their communities. Further, physicians directly impact thousands of other health-related businesses, including pharmacies and medical suppliers. These important, highly-trained employees would lose their jobs.

California Physician Shortages

There are real physician shortages in California. Failing to address the Medicare physician payment formula will compound these shortages. Our primary care physician-to-patient ratios are among the lowest in the nation. California physicians are dramatically aging. More than half of California physicians are over the age of 55 and California is not training or attracting enough new physicians to meet the demands. Prior to the passage of the health care reform legislation, the University of California projected that the growth in physician demand would outpace physician supply by 20%. As five million Californians gain coverage under health care reform, the demand for physicians will swell. Without Medicare payment reform to keep existing physicians in practice and attract new students to medicine, finding a doctor in California will become extremely difficult.

The CMA urges you to aggressively work with us to rebuild the Medicare and Medicaid programs. Physicians are the foundation and the front-line of the Medicare program. We need a reasonable physician payment system to protect access to care for California's seniors, TriCare military families, Medicaid patients, and the disabled. This law provides vital short-term relief but we must also focus on long-term solutions.

Sincerely,

J. Brennan Cassidy, MD
President