



JUN 19 2008

Administrator
Washington, DC 20201

William L. Rich, III, M.D., F.A.C.S.
Chairman
Relative Value Scale Update Committee
American Medical Association
515 North State Street
Chicago, IL 60610

Dear Dr. Rich:

For many years, the American Medical Association/Specialty Society Relative Value Update Committee (RUC) has made recommendations to improve the Medicare physician fee schedule. The RUC's recommendations on physician work relative value units (RVUs) and practice expense inputs have resulted in significant improvements in payment accuracy. We greatly appreciate the considerable sustained efforts made by all members and staff of the RUC.

Over the years, the Secretary has accepted the large majority of the RUC's recommendations. However, much of the RUC's work in past years has been focused on identifying undervalued procedures. Congress has considered establishment of a separate advisory committee to the Secretary solely for the purpose of identifying overvalued procedures. In lieu of legislation on this issue we encourage the RUC and others to place renewed emphasis on identifying overvalued procedures. Although we acknowledge and commend the RUC's initial efforts to identify overvalued procedures, we ask you to expand efforts in this area by focusing on several aspects of relative values as discussed below.

As you know, the President issued an Executive Order on Value Driven Health Care that embodies four cornerstones: Interoperable Health Information Technology (Health IT standards); Measure and Publish Quality Information (Quality Standards); Measure and Publish Price Information (Price Standards); and Promote Quality and Efficiency of Care (Incentives). The Administration also submitted the Medicare Funding Warning Response Act of 2008 (S. 2662 and H.R. 5480). Title I of the Funding Warning Response Act reflects these four cornerstones.

A necessary component in moving to a value driven health care system is accurate pricing in payment systems. As you are aware, there has been considerable concern expressed by the Congress, Medicare Payment Advisory Commission (MedPAC), and other stakeholders regarding accurate pricing under the Medicare physician fee schedule.

Despite the large increase in work RVUs for many medical visits during the last 5-year review of physician work, there continues to be concern that the presence of many overvalued procedures within the physician fee schedule disadvantages primary care services and creates distortion in our payment system that makes moving to value driven health care more difficult. Critics have pointed out the relative imbalance in the number of codes for which the work relative values are increased rather than decreased in the three 5-Year Reviews of work RVUs.

The RUC has created the Five-Year Review Identification Workgroup to respond to these concerns regarding overvalued codes. The workgroup has identified some potentially misvalued codes through several vehicles, namely, identifying codes with site of service anomalies, high intra-service work per unit time (IWPUT), and services with high volume growth. RUC recommendations for services identified by this workgroup are currently being evaluated by CMS.

We believe that it is important to focus further inquiry into potentially misvalued services by examining (1) the fastest growing procedure codes, (2) Harvard-Valued codes, and (3) PE RVUs. We are interested in working with the RUC and others on this issue in the future.

(1) Review the Fastest Growing Procedure Codes

We have identified the fastest growing services as measured by growth in utilization from 2004-2007. The codes we identified were:

- Those that represent services that had three consecutive years of 10 percent (or more) annual growth in allowed services;
- Excluded if there was less than \$1 million in 2007 allowed charges; and
- Included if still active in 2008.

This analysis resulted in the identification of over 100 procedure codes, which are shown in the enclosed table. Some of the identified services are new, while others have been in the clinical arena for a number of years. These codes may warrant a reassessment to determine why there has been an increase in utilization. There may be a clinical rationale or there may have been changes in the relative resources involved with furnishing the service. As part of the effort the RUC has already taken to identify overvalued procedures, we request that the RUC examine this list of procedure codes that CMS identified.

(2) Review of Harvard-Valued Codes

Currently, there are approximately 2,900 codes (based upon our review of the physician time file) that were originally valued by Harvard and which have not subsequently been evaluated by the RUC. These codes represent about \$5.0 billion in annual spending under the Medicare physician fee schedule. This review could aid in the identification of potentially misvalued codes. We request that the RUC undertake an ongoing (multi-year)

effort to review the Harvard-valued codes that have not subsequently been evaluated by the RUC. We request that the initial focus be given to high-volume, low intensity codes.

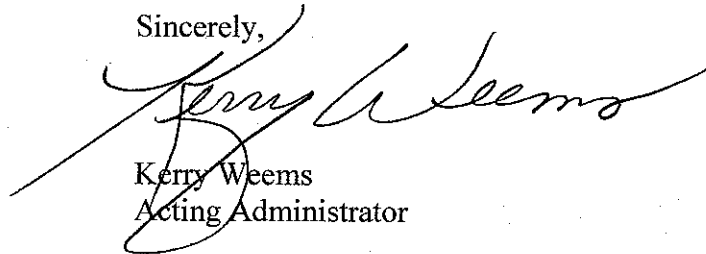
(3) Review Practice Expense RVUs

Practice expenses (PE) represent about 44 percent of total relative values for physicians' services. Indirect practice expenses are allocated in some measure based on direct PE inputs. Thus, ensuring the accuracy of direct PE inputs and the agreement of the direct PE inputs with the clinical aspects specific to each procedure may aid in the identification of misvalued services. We request that the RUC continue to review direct PE inputs. We request that the initial focus be given to the high-volume codes where the practice expense payments are significantly increasing during the transition to the new practice expense methodology.

We believe that CMS and the RUC share a common interest in ensuring the accuracy of relative values, which should include a balanced focus on potentially overvalued services with a goal of reducing their values to a more accurate level. We plan to discuss these issues in the upcoming notice of proposed rulemaking. We expect that all reviews and changes to relative values would be conducted in tandem with our established regulatory processes such as the annual review of new/revised codes and the Five-Year Review. We are hopeful that our commitment and the RUC's work in this area will be successful in better valuing procedures that are currently overvalued.

We appreciate your consideration of these requests and we look forward to continuing our working with the RUC.

Sincerely,

A handwritten signature in black ink, appearing to read "Kerry Weems", written over a circular stamp or mark.

Kerry Weems
Acting Administrator

Enclosure

Procedures with \$1 Million or More in 2007 Allowed Charges
Growing 10% or More in Allowed Services in Consecutive Years (2004-2007)

CPT/ hcpcs code	Description	Allowed Charges 2007 (millions)	Growth in Allowed Services 2004 - 2007	Annual Growth in Allowed Services 2005	Annual Growth in Allowed Services 2006	Annual Growth in Allowed Services 2007	Screening Criteria Used by the AMA/RUC for Codes Reviewed Between September 2007 - April 2008
10022	Fna w/image	\$12	88%	31%	21%	19%	
13121	Repair of wound or lesion	\$23	45%	15%	14%	11%	
14021	Skin tissue rearrangement	\$12	49%	15%	13%	15%	Site of Service Anomaly
14300	Skin tissue rearrangement	\$13	49%	14%	12%	16%	Site of Service Anomaly
15740	Island pedicle flap graft	\$6	63%	26%	11%	17%	Site of Service Anomaly
19295	Place breast clip, percut	\$9	43%	10%	13%	14%	
20551	Inj tendon origin/insertion	\$7	101%	17%	21%	41%	
20926	Removal of tissue for graft	\$4	63%	10%	16%	27%	
22214	Revision of lumbar spine	\$2	110%	34%	19%	32%	
22533	Lat lumbar spine fusion	\$1	584%	163%	81%	44%	
22843	Insert spine fixation device	\$3	55%	20%	15%	13%	
22849	Reinsert spinal fixation	\$2	116%	47%	18%	24%	
22851	Apply spine prosth device	\$24	65%	29%	12%	13%	
23430	Repair biceps tendon	\$3	90%	29%	21%	21%	
23472	Reconstruct shoulder joint	\$23	74%	32%	13%	16%	
26480	Transplant hand tendon	\$3	57%	26%	11%	12%	
27245	Treat hip fracture	\$88	68%	27%	18%	12%	High I/PUT
27370	Injection for knee x-ray	\$2	173%	48%	59%	16%	High Volume Growth
29822	Shoulder arthroscopy/surgery	\$3	77%	24%	20%	19%	
29827	Arthroscopt rotator cuff repr	\$43	90%	33%	21%	18%	
31579	Diagnostic laryngoscopy	\$8	51%	15%	14%	15%	
32663	Thoracoscopy, surgical	\$4	102%	35%	18%	27%	
33213	Insertion of pulse generator	\$16	63%	24%	14%	15%	
35470	Repair arterial blockage	\$9	132%	38%	35%	25%	
35474	Repair arterial blockage	\$19	49%	17%	16%	11%	
36248	Place catheter in artery	\$1	70%	22%	20%	15%	
36516	Apheresis, selective	\$2	274%	75%	35%	58%	
37765	Phleb veins extrem 10-20	\$3	158%	76%	25%	17%	High Volume Growth
37766	Phleb veins extrem 20+	\$3	200%	94%	23%	26%	High Volume Growth
38571	Laparoscopy, lymphadenectomy	\$2	295%	49%	69%	57%	
43236	Uppr gi scope w/submuc inj	\$2	61%	26%	15%	11%	

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43242	Uppr gi endoscopy w/us fn bx	\$7	74%	26%	19%	16%	
43259	Endoscopic ultrasound exam	\$7	42%	14%	12%	11%	
44205	Lap colectomy part w/ileum	\$11	108%	53%	17%	16%	
44207	L colectomy/coloproctostomy	\$9	142%	67%	24%	17%	
44970	Laparoscopy, appendectomy	\$7	51%	21%	13%	10%	
45381	Colonoscopy, submucous inj	\$6	105%	36%	23%	22%	
47490	Incision of gallbladder	\$3	42%	10%	14%	13%	
50542	Laparo ablate renal mass	\$1	128%	54%	34%	11%	
50548	Laparo remove w/ureter	\$2	56%	18%	13%	17%	
50605	Insert ureteral support	\$1	66%	17%	15%	23%	
51772	Urethra pressure profile	\$11	76%	31%	18%	14%	Codes Reported Together
55866	Laparo radical prostatectomy	\$18	329%	87%	55%	48%	New Technology
61793	Focus radiation beam	\$13	53%	15%	16%	15%	
61795	Brain surgery using computer	\$4	46%	13%	17%	11%	
63056	Decompress spinal cord	\$6	58%	21%	11%	18%	
63650	Implant neuroelectrodes	\$9	159%	47%	29%	37%	Site of Service Anomaly
63655	Implant neuroelectrodes	\$2	106%	29%	23%	30%	
63660	Revise/remove neuroelectrode	\$2	81%	29%	19%	17%	Site of Service Anomaly
63685	Insrt/redo spine n generator	\$3	125%	53%	24%	19%	Site of Service Anomaly
64415	N block inj, brachial plexus	\$6	56%	22%	12%	15%	
64445	N block inj, sciatic, sng	\$6	75%	22%	22%	18%	
64447	N block inj fem, single	\$5	116%	57%	16%	19%	
64448	N block inj fem, cont inf	\$6	232%	86%	35%	33%	Site of Service Anomaly/High Volume Growth
64483	Inj foramen epidural l/s	\$157	62%	24%	15%	14%	
64484	Inj foramen epidural add-on	\$46	75%	34%	15%	13%	
64555	Implant neuroelectrodes	\$6	1498%	63%	135%	316%	High Volume Growth
64561	Implant neuroelectrodes	\$3	169%	15%	25%	86%	
64622	Destr paravertebrl nerve l/s	\$32	89%	32%	24%	15%	High Volume Growth
64626	Destr paravertebrl nerve c/t	\$8	109%	34%	22%	29%	High Volume Growth
64627	Destr paravertebral n add-on	\$7	109%	35%	24%	25%	High Volume Growth
65780	Ocular reconst, transplant	\$3	200%	46%	60%	28%	

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66982	Cataract surgery, complex	\$148	103%	34%	27%	19%	High IVP/UT
67028	Injection eye drug	\$151	883%	202%	112%	54%	High Volume Growth
69100	Biopsy of external ear	\$7	52%	18%	14%	13%	
69801	Incise inner ear	\$3	54%	13%	16%	17%	
70496	Ct angiography, head	\$11	184%	61%	42%	24%	High Volume Growth
70498	Ct angiography, neck	\$18	216%	70%	50%	23%	High Volume Growth
71250	Ct thorax w/o dye	\$140	42%	15%	11%	11%	
71275	Ct angiography, chest	\$56	115%	51%	23%	16%	
72125	Ct neck spine w/o dye	\$29	102%	30%	26%	23%	
72128	Ct chest spine w/o dye	\$6	71%	23%	20%	16%	
72191	Ct angiograph pelv w/o&w/dye	\$15	146%	55%	36%	17%	High Volume Growth
72192	Ct pelvis w/o dye	\$135	40%	13%	12%	11%	
72194	Ct pelvis w/o & w/dye	\$72	78%	29%	22%	13%	Codes Reported Together
73200	Ct upper extremity w/o dye	\$6	60%	22%	13%	17%	
73218	Mri upper extremity w/o dye	\$8	58%	23%	12%	15%	
73580	Contrast x-ray of knee joint	\$2	183%	58%	56%	15%	High Volume Growth
73700	Ct lower extremity w/o dye	\$13	57%	22%	15%	12%	
74175	Ct angio abdom w/o & w/dye	\$27	123%	50%	31%	13%	
75635	Ct angio abdominal arteries	\$16	251%	71%	66%	23%	High Volume Growth
76513	Echo exam of eye, water bath	\$1	420%	17%	187%	55%	High Volume Growth
76536	Us exam of head and neck	\$28	51%	20%	13%	11%	
76880	Us exam, extremity	\$14	58%	23%	13%	13%	
77301	Radiotherapy dose plan, imrt	\$81	94%	35%	22%	17%	
77418	Radiation tx delivery, imrt	\$681	111%	37%	25%	24%	
77781	High intensity brachytherapy	\$8	144%	35%	42%	27%	
77782	High intensity brachytherapy	\$3	189%	51%	36%	41%	High Volume Growth
90471	Immunization admin	\$20	213%	77%	41%	25%	CMS Request - Practice Expense Review
92135	Ophth dx imaging post seg	\$246	104%	32%	23%	25%	
92136	Ophthalmic biometry	\$57	78%	34%	17%	14%	
92285	Eye photography	\$10	53%	21%	11%	14%	
92587	Evoked auditory test	\$2	64%	22%	14%	18%	

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92986	Revision of aortic valve	\$1	90%	26%	17%	29%	
93308	Echo exam of heart	\$6	45%	17%	11%	11%	
93613	Electrophys map 3d, add-on	\$6	117%	33%	33%	23%	
93652	Ablate heart dysrhythm focus	\$2	70%	17%	18%	23%	
93743	Analyze ht pace device dual	\$38	139%	52%	29%	22%	
93922	Extremity study	\$43	53%	21%	13%	12%	
93976	Vascular study	\$9	38%	10%	11%	12%	
93990	Doppler flow testing	\$3	111%	35%	26%	24%	
94681	Exhaled air analysis, o2/co2	\$8	141%	52%	27%	24%	High Volume Growth
94762	Measure blood oxygen level	\$6	125%	46%	30%	19%	
95922	Autonomic nerv function test	\$3	247%	74%	48%	35%	High Volume Growth
95956	Eeg monitoring, cable/radio	\$4	102%	50%	12%	21%	
96567	Photodynamic tx, skin	\$2	479%	115%	72%	57%	High Volume Growth
96920	Laser tx, skin < 250 sq cm	\$3	137%	16%	50%	36%	
96921	Laser tx, skin 250-500 sq cm	\$1	213%	44%	67%	30%	High Volume Growth
G0179	MD recertification HHA PT	\$52	59%	19%	19%	12%	
G0181	Home health care supervision	\$31	49%	15%	17%	11%	
G0237	Therapeutic proced strg endur	\$2	264%	69%	64%	32%	High Volume Growth
G0238	Oth resp proc, indiv	\$3	944%	407%	77%	17%	High Volume Growth
G0249	Provide test material, equipm	\$4	325%	117%	75%	12%	High Volume Growth
G0268	Removal of impacted wax mid	\$4	57%	27%	11%	11%	