

May 20, 2008

The Honorable Max Baucus
Chairman
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Baucus:

The American Medical Association (AMA) and undersigned state medical societies and associations wish to express our appreciation for your leadership in crafting legislation to replace pending Medicare physician payment cuts with positive updates for the next 18 months. Your support is critical for preserving the Medicare program and warding off steep pending cuts in physician payment rates that threaten access for our senior and disabled patients.

Under the current, fatally flawed, Medicare physician payment formula, physicians face cuts of 10.6 percent as of July 1 of this year. An additional cut of 5 percent or more is projected for January 1, 2009. These will be part of a series of cuts totaling about 40 percent in the coming decade. Yet, even by the government's own conservative estimate, physician practice costs will increase nearly 20 percent during this time period. Cuts of this magnitude will clearly lead to an access crisis for Medicare patients, and physician office practices across the country will lose millions of dollars, as shown in the attached state-by-state chart. Rapidly eroding margins are threatening the viability of medical practices, putting health information technology and other high-capital intensive purchases out of reach, and forcing the large cohort of practicing physicians over 55 years of age to weigh retirement.

It is critical, therefore, that Congress take immediate action to replace the next 18 months of scheduled Medicare payment cuts with positive updates. **Extending the current 0.5 percent update through the remainder of 2008, followed by a 2009 update that reflects increases in medical practice costs, would allow Congress the time needed to pave the way for longer-term reform of the Medicare physician update formula.**

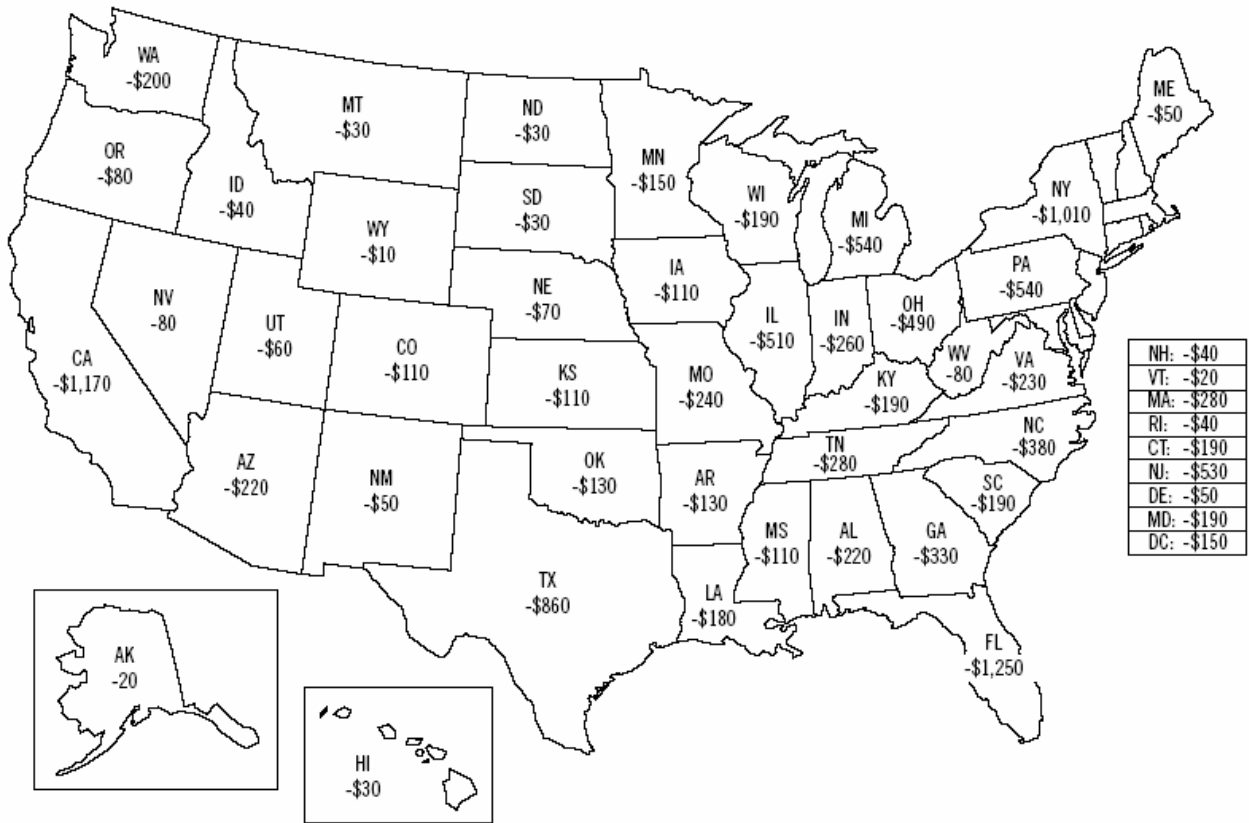
We appreciate your continued efforts and look forward to working with you to ensure a Medicare physician payment system that best serves the needs of its beneficiaries and provides for the sustainability of the program.

Sincerely,

American Medical Association
Medical Association of the State of Alabama
Alaska State Medical Association
Arizona Medical Association
Arkansas Medical Society

California Medical Association
Colorado Medical Society
Connecticut State Medical Society
Medical Society of Delaware
Medical Society of the District of Columbia
Florida Medical Association
Medical Association of Georgia
Hawaii Medical Association
Idaho Medical Association
Illinois State Medical Society
Indiana State Medical Association
Iowa Medical Society
Kansas Medical Society
Kentucky Medical Association
Louisiana State Medical Society
Maine Medical Association
MedChi, The Maryland State Medical Society
Massachusetts Medical Society
Michigan State Medical Society
Minnesota Medical Association
Mississippi State Medical Association
Missouri State Medical Association
Montana Medical Association
Nebraska Medical Association
Nevada State Medical Association
New Hampshire Medical Society
Medical Society of New Jersey
New Mexico Medical Society
Medical Society of the State of New York
North Carolina Medical Society
North Dakota Medical Association
Ohio State Medical Association
Oklahoma State Medical Association
Oregon Medical Association
Pennsylvania Medical Society
Rhode Island Medical Society
South Carolina Medical Association
South Dakota State Medical Association
Tennessee Medical Association
Texas Medical Association
Utah Medical Association
Vermont Medical Society
Medical Society of Virginia
Washington State Medical Association
West Virginia State Medical Association
Wisconsin Medical Society
Wyoming Medical Society

Medicare payment cuts for physician services by state, July 2008–December 2009 (in millions)



Source: The projected negative Medicare physician payment updates are from the 2007 Medicare Trustees report with 2008 adjustments to reflect Sec. 101 of P.L. 110-173. The source of the state-by-state analysis is the American Medical Association, Division of Economic and Health Policy Research, January 2008.