American Society of Anesthesiologists

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September 27, 2011

Mr. Glenn M. Hackbarth, Chair
Medicare Payment Advisory Commission
601 New Jersey Avenue, N.W., Suite 9000
Washington, D.C. 20001

Dear Mr. Hackbarth:

On behalf of the over 46,000 physician members of the American Society of Anesthesiologists (ASA), I am writing to express our deep disappointment over the Medicare Payment Advisory Commission's (MedPAC) September 15th draft recommendations to pay for the elimination of the Sustainable Growth Rate (SGR) formula with multi-year cuts to specialists, including anesthesiologists.

While we support permanently fixing the SGR, we believe cutting payment for anesthesia by 5.9 percent each year over the next three years, followed by a freeze in payment would harm patient access to care and does not take into account that Medicare currently pays anesthesiologists only 33 percent of the average commercial insurance payment for the same service. We find that an increasing number of anesthesiologists are revisiting whether they wish to enter or be in practices that have high proportions of Medicare patients. We believe this cut would cause anesthesiologists to further shift away from communities and institutions that have these higher proportions of our elderly. As recognized leaders in patient safety and quality, anesthesiologists have for years been doing more than their share to reduce health care costs by improving the efficiency of expensive surgical practices and reducing costly complications in the postoperative setting.

As MedPAC is aware, anesthesiologists suffer from a significant payment disparity under the Medicare system. While modest disparities between Medicare and commercial physician payment rates are longstanding and well-recognized, the disparity in payments for anesthesia services is unique. In July 2007, a Government Accountability Office (GAO) report confirmed for the public and Congress what anesthesiologists have known and struggled with for years: Medicare payments for anesthesia services are drastically low.[1] According to the GAO, Medicare payments for anesthesia services represent only 33 percent of the prevailing commercial insurance payment rates for the same service. In contrast, MedPAC consistently reports Medicare's payments for other physician services represent approximately 80 percent of

[1] U.S. Government Accountability Office. *Medicare and Private Payment Differences for Anesthesia Services*, GAO-07-463, Washington, DC: Government Accountability Office, 2007.

commercial rates when averaged across all physician services and geographic areas. Further, the anesthesia payment differential continues and may be expanding. Based on ASA's 2011 annual survey data, the current Medicare anesthesia conversion factor ($21.0515) was only 31 percent of even the lowest average commercial conversion factor for anesthesia ($67.57).[2] Accordingly, we believe this disparity known as the "33 percent problem" warrants positive consideration as you develop recommendations to Congress.

Including anesthesiology with other specialties in your draft recommendations ignores the root of the "33 percent problem;" namely, that Medicare pays anesthesiologists on the basis of a conversion factor already significantly lower than other physician services covered under the Resource-Based Relative Value Scale (RBRVS). Further reducing payments to anesthesiologists will only increase the disparity between Medicare and commercial payment rates for anesthesia services. ASA strongly opposes cutting specialty care across the board, and we believe that future proposals should recognize that Medicare already pays less for anesthesia care compared to other physician services.

Furthermore, MedPAC's draft recommendations come at a time when the aging population is increasing demand for anesthesia services. Our elderly over 65 years of age utilize surgical and interventional services that require anesthesia care more than four times the rate of individuals 50-65 years of age. Given the already low rate that Medicare pays for anesthesia, the supply of anesthesiologists cannot keep up with growing demand. Of the 46,000 members of ASA, 34.3 percent of our members are currently over 55 years old. Thus, anesthesiology faces a potential workforce issue in the relative near future. This reality is confirmed by an independent analysis of the RAND Corporation, which found a current shortage of anesthesiologists, as well as a projected exacerbated shortage in 2020.[3] The HHS Bureau of Health Statistics has reported similar findings during the past decade. We believe that reducing Medicare payments for anesthesia services will reduce the number of residents choosing anesthesiology, further exacerbate the shortage of anesthesiologists and decrease patient access to high quality anesthesia care at a time that our elderly can least afford to lose the skills and value that anesthesiologists bring to their safe passage through surgical experiences. Conversely, MedPAC has provided no data to show that these draft recommendations will allow Medicare patients to even maintain the level of access to specialty care they currently have. For these reasons we strongly oppose MedPAC's draft recommendations.

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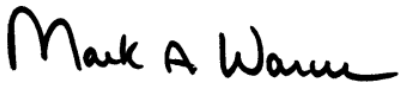
[2] Byrd, Jason R. Singh, Loveleen. *ASA Survey Results for Commercial Fees Paid for Anesthesia Services – 2011*. American Society of Anesthesiologists Newsletter. October 2011 Vol. 75 Number 10: 38-41.

[3] Daugherty L, Fonseca R, Kumar KB, and Michaud P-C, *An Analysis of the Labor Markets for Anesthesiology*, Santa Monica, Calif.: RAND Corporation, TR-688-EES, 2010.

Anesthesiologists are critical to achieving the goals of reduced health care costs and improved quality of care. **As MedPAC makes recommendations to Congress, ASA strongly recommends you consider the concept of a coordinated surgical home model.** We believe this model will achieve better value for beneficiaries through care coordination and process improvements led by anesthesiologists. The surgical home is the counterpart to the primary care-led medical home and would assist hospitals and facilities in effectively managing health care expenses, approximately 60-70 percent of which are incurred in the surgical setting.

We appreciate your consideration of our comments and we would welcome the opportunity to discuss alternatives. If you have any questions please feel free to contact Jason Byrd, J.D., ASA's Director of Practice Management, Quality and Regulatory Affairs at 202-289-2222 or j.byrd@asawash.org.

Sincerely,



Mark A. Warner, M.D.
President
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