

Questions and Answers
AMA's Commitment to Slowing the Rate of Growth in Health Care Costs

Q: Why did the AMA pledge on May 11 to work with other health organizations to reduce the annual growth rate in total health care spending by 1.5% annually over the next decade?

A: Government and private insurers have traditionally relied on across-the-board payment cuts to physicians and other providers (e.g. Medicare and Medicaid payment cuts) in response to rising health care costs. The AMA believes that empowering physicians to implement strategies to improve the quality of care and avoid inappropriate services is the far better approach, reinforcing the profession's authority in clinical decision making.

The health organizations did not strike a deal with the Obama Administration on a health system reform plan. Rather, they came together to demonstrate their commitment to doing their part to help pave the way toward a health care system that is financially sustainable.

Q: If reducing the rate of growth by 1.5% translates into savings of \$2 trillion or more, does this pledge consign physicians to steep payment cuts in government programs?

A: Absolutely not. The AMA is aggressively advocating with the Obama Administration and Congress to repeal the flawed Medicare payment formula that has produced and continues to threaten steep physician payment cuts. The Obama Administration's FY 2010 budget proposed a framework to avoid the 21% cut scheduled for January 1 under current law. Large majorities of Democrats and Republicans in Congress have pledged to pass legislation this year to avert Medicare physician payment cuts.

Q: What specific initiatives does the AMA envision being implemented by the medical community?

A: The AMA is highlighting a number of activities that are currently underway. For example, the AMA convened Physician Consortium for Performance Improvement (PCPI) has developed and continues to develop clinical measures to promote appropriate high-quality care. Assuring that the patients get the right care at the right time will improve management of chronic conditions and avoid costly hospitalizations and other interventions. This year, the PCPI is developing measures to address concerns about over-utilization of services. Specific areas of focus include treatment of low back pain, stable coronary artery disease, sinusitis, and elective labor induction in pregnancy. PCPI and other health groups are also developing tools to improve care transitions and avoid hospital readmissions.

The AMA has launched another initiative to improve medication management to avoid adverse drug interactions for patients receiving prescriptions from multiple physicians.

These activities are a good beginning. The AMA will be reaching out to state and national medical specialty societies to explore other possible initiatives to wring unnecessary costs out of the system, such as efforts underway by the American College of Radiology and American College of Cardiology to develop clinical appropriateness criteria addressing overuse of imaging and other services.

Q: What are the insurers putting on the table?

A: America's Health Insurance Plans (AHIP) has commitments from its member companies to implement policy changes that will streamline and standardize administrative claims processing

requirements for physicians, hospitals and patients. This effort promises to reduce costs throughout the system, including physician overhead costs.

Q: Has the AMA agreed to the concept of a single bundled payment for hospitals to share with physicians?

A: Absolutely not. A number of ideas have been proposed involving bundled payments. In fact, surgeons already receive bundled service payments in the form of global surgical fees. The Obama Administration proposed bundling payments for hospitals and post-acute services. The AMA does not support proposals that would mandate a single payment to a hospital to cover both facility services and the physician's professional fee.

Q: What benefits do you envision from this agreement?

A: We are offering ideas for promoting the fiscal sustainability of the nation's health care system, which we believe will relieve pressure to implement future cost control strategies that are far more intrusive and onerous for physicians and patients. Health system reform also presents an opportunity to address other longstanding issues. For example, in discussions with the Obama Administration, AMA representatives have repeatedly stressed the need to address the costs of defensive medicine and to provide liability protections for physicians who adhere to best practice guidelines; and, at a recent press conference, President Obama also acknowledged the need to address liability costs.

Q: What about addressing the demand side of the cost issue?

A: In the letter to President Obama, the AMA and other coalition members note that "there are many important factors driving health care costs that are beyond the control of the delivery system alone." We have called for a "large scale national effort of health promotion and disease prevention to reduce the prevalence of chronic disease and poor health status, which leads to unnecessary sickness and higher health costs."