



OFFICE OF THE PRESIDENT

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OFFICE OF THE PRESIDENT

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Members of the California Delegation

On behalf of The University of California Health System (UC Health) and its academic medical centers located at the Davis, Irvine, Los Angeles, San Diego, and San Francisco campuses, I write to express the University's continued support for reform of the flawed sustainable growth rate (SGR) payment formula as well as current Congressional efforts to avoid a scheduled 26.5 percent cut to Medicare physicians' services in 2013. However, UC Health strongly opposes cuts in Medicare reimbursements for evaluation and management (E&M) services in hospital outpatient departments' (HOPD) as a way to pay for an SGR patch in 2013.

UC Health employs 4,800 faculty physicians, trains approximately half of California's medical residents (4,400), as well as nearly half of the state's medical students (3,100). As such, we strongly support long-term SGR reform as it is critical to ensuring access to essential healthcare services for Medicare beneficiaries and fair Medicare payments for physician services. If Congress does not act prior to the end of the 2012 calendar year to address the looming SGR issue, Medicare reimbursements for UC faculty physicians will be cut by an estimated \$100 million in 2013.

However, proposing Medicare cuts to hospital outpatient department evaluation and management services as a potential offset for an SGR patch unfairly targets large academic medical centers and will have a disproportionate impact on UC's teaching hospitals, our faculty physicians who work in these settings and the patients we serve. UC Health treats almost 4 million patients each year in our outpatient departments, including over 1 million Medicare beneficiaries. The estimated annual impact of the proposed HOPD cuts on UC Health would be \$28.5 million. If cuts of this magnitude were approved as an offset to pay for an SGR patch, UC Health's Medicare margin for hospital outpatient services would drop to an unsustainable negative 30 percent. The estimated annual impact of the proposed HOPD cuts on UC Health's five individual academic medical centers is - \$28.5 million. The impact on individual UC campuses is as follows:

- UC Davis Medical Center: **-\$5.2 million**
- UC San Francisco Medical Center: **-\$10.9 million**
- UCLA Medical Center: **-\$5.6 million**

- UC Irvine Medical Center: **-\$4 million**
- UC San Diego Medical Center: **-\$2.8 million**

While UC Health appreciates and supports Congressional efforts to address the problematic SGR formula, cutting Medicare payments to hospital outpatient departments to pay for an SGR patch is counter-productive and would severely reduce our ability to provide outpatient care to vulnerable populations and will make it more difficult to train physicians and other health care providers in an ambulatory care setting which stresses cost-effective, integrated, and team-based delivery of care.

Medicare beneficiaries rely on the services of academic physicians and health systems like the University of California to provide high quality, efficient, innovative and accessible healthcare. The University's ability to continue to meet the diverse clinical needs of a growing Medicare population will be severely compromised if Congress cuts Medicare payments for HOPD services in order to finance an SGR patch.

UC urges you to reject cuts to HOPD E&M services and we look forward to working with you to address the long-standing problem of replacing Medicare's physician payment system with a pragmatic and sustainable solution that does not unfairly target academic medical centers.

Thank you for your continued support of the University of California. Should you have any questions please contact me or David Brown in the UC Office of Federal Governmental Relations at (202) 974-6309.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Stobo". The signature is written in a cursive, flowing style.

John D. Stobo, M.D.
Senior Vice President, Health Sciences and Services