



Framework for Health System Reform and Comments on Current Proposals  
June 22, 2009

The South Dakota State Medical Association (SDSMA) appreciates the opportunity to offer our comments on proposed options for comprehensive health system reform. We commend President Obama and members of Congress for their leadership in developing proposals to transform our nation's health care system and for inviting input from diverse groups. We are committed to working with Governor Rounds, members of Congress, the administration, and other stakeholders to advance proposals that expand coverage, improve quality, reform government programs, reduce costs, increase focus on wellness and prevention, and provide payment and delivery reforms.

As advocates for patients and physicians of South Dakota, the SDSMA believes in a health care system that:

- Provides the greatest possible access to basic quality care that is affordable for all by:
  - Using a shared public/private effort to provide access to and financing for services and allowing individuals/employers to purchase additional services or insurance;
  - Promoting a robust private health insurance market;
  - Helping people who can't afford it purchase private health insurance coverage through tax credits and vouchers;
  - Allowing families and individuals to choose their health plan; and
  - Allowing patients to be able to retain the ability to choose their own doctor and be permitted to enter into private contracting arrangements with their physicians.
- Protects individuals and families from losing their health insurance coverage or financial ruin by:
  - Making available affordable plans for catastrophic health care coverage;
  - Ensuring sustainable public programs for vulnerable populations;
  - Allowing patients to own their health insurance even if it's financed through their employer, so if they leave that job, the insurance isn't lost; and
  - Providing sufficient public funding for public health and other essential medical services, including disaster medicine and trauma care.
- Meets the highest standards of care while addressing prevention, wellness, and public health by:
  - Increasing our investment in prevention and wellness;

- Ensuring that everyone takes responsibility for their own health, insurance protection for their family, and choosing a personal physician;
  - Eliminating racial, ethnic, and gender disparities;
  - Implementing adequately tested and proven payment reforms that are based on quality – not quantity – by promoting medical homes and rewarding care coordination of chronic diseases; and
  - Offering incentives or reductions in premiums for enrollees who utilize preventative services and make appropriate lifestyle decisions.
- Provides effective, efficient, and appropriate health care by:
    - Reducing or eliminating administrative barriers and unreasonable overhead costs;
    - Implementing cost management strategies for all stakeholders – patients, providers, and payers; and
    - Enacting medical liability reforms – thus, reducing the costs associated with the practice of defensive medicine.

### Valuable Components of Current Proposals

The SDSMA supports:

- Improving access to health care coverage by:
  - Eliminating restrictions on pre-existing conditions so no one is denied health insurance; and
  - Requiring individuals to have insurance coverage or pay a penalty based on premium cost;
- Increasing payments for physician primary care specialties; however, they should be financed by savings rather than through across-the-board payment reductions in other physician services;
- Reducing inappropriate health spending variations, but only if based on sound evidence and not just fiscal objectives;
- Improving the efficiency and quality of health care by investing in EHRs;
- Using evidence-based quality measures (however, measures should be developed by the Physician Consortium for Performance Improvement (PCPI) and used for point of care information, as well as performance reporting);
- Making greater investments in wellness and prevention;
- Improving care coordination by promoting medical homes; and
- Addressing doctor shortages, especially in rural areas, by providing more support for medical education and residency training programs.

### Concerns with Current Proposals

The SDSMA opposes:

- Implementing a single-payer plan or a national public health insurance plan to compete with private plans;
- Expanding the current Medicare program or linking payment rates for any public plan to Medicare’s flawed physician payment formula (SGR);
- Continuing the current Medicare payment formula and failing to include a long-term Medicare payment fix for physicians;
- Using untested payment methodologies such as “bundling” or “accountable care organizations” as the method for reimbursing services for public programs until such time as they have been proven to improve care and reduce costs;
- Imposing penalties in the PQRI program; and

- Continuing to allow insurers to use unregulated “physician profiling” programs which are often inaccurate comparisons and compromise patient care.

### Alternatives to Current Proposals

The SDSMA supports reform alternatives that are consistent with the principles of pluralism, freedom of choice, freedom of practice, and universal access for patients. We offer the following health system reform alternatives:

- Expand Access - Expand affordable health care coverage with guaranteed issue in the context of an individual mandate with subsidies (in the form of tax credits or vouchers) for those who can’t afford coverage.

Further, end the tax exclusion for spending on employer-sponsored health insurance and establish refundable, advanceable tax credits to help individuals buy health insurance. This provision is included in the House-Senate Republicans’ Patients’ Choice Act. While the SDSMA supports replacing the federal income tax exclusion of employer-provided health insurance, we believe that health insurance expenditures should continue to be exempt from federal payroll tax.

Access to coverage does not guarantee access to health care services. Payment systems for physicians must be stable and adequate to preserve access to care. In particular, the current Medicare physician payment system, which produces steep annual payment reductions that require repeated Congressional intervention, needs immediate reform in order for annual adjustments in payments to keep pace with rising practice costs.

- Reform Government Programs - Repeal the Medicare SGR payment formula and provide adequate Medicare and Medicaid reimbursement based on the cost of providing care and adjusted annually for medical inflation, with equitable reimbursement for geographic areas that are currently penalized for providing lower-cost care.
- Reduce Costs - Enact medical liability reforms that will lead to a reduction in defensive medicine and ultimately the cost of health care. Streamline insurance claims processing.
- Improve Quality - Adopt truly connected and interoperable health information technology systems and tools to improve patient safety, advance care coordination, and increase administrative efficiency. Cost, training, and technical support present significant barriers to adoption, particularly for small physician practices, and those problems need to be addressed. The ARRA legislation includes provisions for regional extension but it is unclear how designations will be made. The SDSMA believes that technical assistance should be state-specific rather than regionalized.

Further, improve the quality and efficiency of care by providing data to physicians at the point of care and using evidence-based measurement as a tool to reduce unnecessary utilization. Quality measurement programs that are simply designed to identify and penalize physicians whose results are below the top level of performance will not yield the system-wide improvements needed to assure access to high-quality health care for all. Quality improvement programs need to focus on improving care through education rather than reporting or ranking systems.

### Summary

The Congress, the new Obama administration, and organizations representing a broad array of interests have made enactment of comprehensive health system reform a top domestic priority. This intense focus on health care issues presents an historic opportunity to address many of the problem physicians confront in their daily efforts to provide high-quality care to their patients. It also raises legitimate concerns that well-intentioned but poorly informed policy decisions made in the short-term could have long-term consequences for patients and for physician practices. The SDSMA, on behalf of its physician members, is fully engaged with policymakers on these issues.

The SDSMA supports the achievement of meaningful health system reform – health system changes that hold promise for improving the health status and quality of care delivered to patients and are achieved in a fiscally responsible manner in order to maintain a sustainable health care delivery system. We will expand upon and update this material as the policy discussions evolve and the focus sharpens on specific legislative proposals.