For Immediate Release
April 15, 2015

Contact: Catherine Direen, 415/595-7050
cdireen@familydocs.org

Media Statement

California Family Physician Leaders Herald Sweeping Changes in Medicare Program Payments

U.S. Senate last night passed and President Obama expected to sign new law changing how physicians are paid and continuing key funding for primary care physician training

Statement from Del Morris, MD
President, California Academy of Family Physicians

California family physician leaders strongly support a bill that will significantly change how physicians are paid for caring for elderly and disabled patients. The Senate last night passed HR 2, passed by the House of Representatives last month and expected to be signed into law by President Barack Obama.

“This new law will modernize Medicare payments by focusing on what’s best for patients. The new formula bases payments to physicians on the value and quality of medical services provided, not simply on the volume of services as did the previous design, called the Sustainable Growth Rate (SGR) formula. It also stabilizes physician payments from year to year and ensures that patient care will not be interrupted. Medicare beneficiaries comprise one out of four patients in a typical family medicine physician’s practice, so the impact of this bill will be felt by thousands of primary care physicians in California.

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“Some of our health care system’s most pressing issues are resolved by this bill, titled the Medicare Access and Children’s Health Insurance Program Reauthorization Act (MACRA). It funds the Children’s Health Insurance Program (CHIP) for two more years; it extends through 2017 hundreds of millions of dollars in funding for programs that help address the primary care physician shortage nationwide, including support for the National Health Service Corps and California’s six Teaching Health Centers (THCs) that train new primary care physicians; and it provides an extension of funding to vital Community Health Centers.

“By funding the Teaching Health Center Graduate Medical Education (GME) Program, the legislation maintains training in primary care, community-based settings rather than in subspecialty-focused hospitals. This is a crucial step toward reforming the federal GME program to include training in the settings in which family medicine physicians most often practice and patients receive most of their health care.
“Additionally, by funding the National Health Service Corps, the bill maintains scholarships and loan repayments for medical students who choose primary care and provide that care to those living in underserved areas. In doing so, the legislation continues both to build the primary care physician workforce and address the needs of Californians living in areas that struggle with primary care shortages.”

Details of the new law

HR 2, the Medicare Access and CHIP Reauthorization Act, repeals the outdated SGR formula. Enacted by the Balanced Budget Act of 1997, the SGR threatened physicians accepting Medicare with massive payment cuts after year. “Physicians and patients have suffered through 17 short-term patches and, until now, no viable attempt at a long-term solution had been made,” Dr. Morris said. “Each year, patients had to worry whether they’d be able to keep seeing their family medicine physicians because those physicians didn’t know whether they’d be able to afford to see Medicare patients.”

In place of the SGR, HR 2 will increase Medicare payment and move the program toward a value-based payment system, while also streamlining and improving three current physician incentive programs: the Physician Quality Reporting System, the Value-Based Modifier and the Meaningful Use Program.

Specifically, the new law will:

• **Increase physician Medicare payment by at least 0.5 percent each year for the next four years.**

• **Allow physicians to choose from two payment tracks at the end of those four years (2019):** 1) a fee-for-service option that simplifies quality reporting programs and reduces current penalties, or 2) an alternative payment model option in which physicians can earn up to five percent in bonus payments each year by adhering to new payment models and quality measures to be developed by physicians.

• **Distribute $125 million in funding assistance for small practice physicians** seeking to transform their practices into an advanced model such as the Patient Centered Medical Home (PCMH).

• **Extend CHIP for two years.** CHIP covers more than eight million children and pregnant women in families that earn incomes above Medicaid eligibility levels.

• **Extend hundreds of millions of dollars in funding that would have expired this year for Community Health Centers (CHC), the National Health Service Corps (NHSC) and the THC primary care residency programs grants through 2017.** More than 1,300 federally funded health centers – six of them in California – serve more 22.7 million patients across 9,518 sites. The vast majority of the 90 million visits to health centers were for primary medical care. The NHSC helps bring health care professionals to the areas
where they are most needed by providing scholarships and loan repayment in exchange for a commitment to service in an underserved community.

The six teaching health centers in California are:

1. Shasta Community Health Center Family Medicine Residency
2. Valley Family Medicine Residency in Modesto
3. Clinica Sierra Vista Fresno Family Medicine Residency
4. Clinica Sierra Vista Rio Bravo (Bakersfield) Family Medicine Residency
5. Loma Linda Inland Empire Consortium for Healthcare Education Family Medicine Residency
6. Family Health Centers of San Diego Family Medicine Residency

The THC program expands residency training in community-based settings, where medical residents are trained in family and internal medicine, pediatrics, obstetrics and gynecology, psychiatry, and general and pediatric dentistry.

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**About the California Academy of Family Physicians:** With more than 9,000 members, including active practicing family physicians, residents in family medicine, and medical students interested in the specialty, CAFP is the largest primary care medical society in California. Family physicians are trained to treat an entire family’s medical needs, addressing the whole spectrum of life’s medical challenges. FPs serve a broad base of patients in urban, suburban and rural areas, often in California’s most underserved areas.