

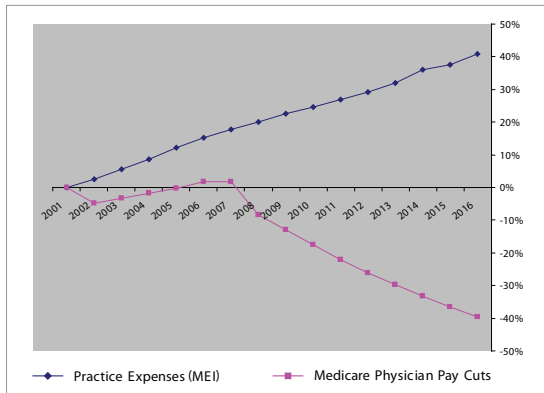
Do Reimbursement Policies Threaten Patient Access to Specialty Medical Care?

“We are concerned that repeated annual reductions in physician payment rates would threaten beneficiaries’ access to physician services.”

-Medicare Payment Advisory Commission Report to Congress, March, 2008

Issue #1: Physicians are Being Pushed to the Economic Breaking Point

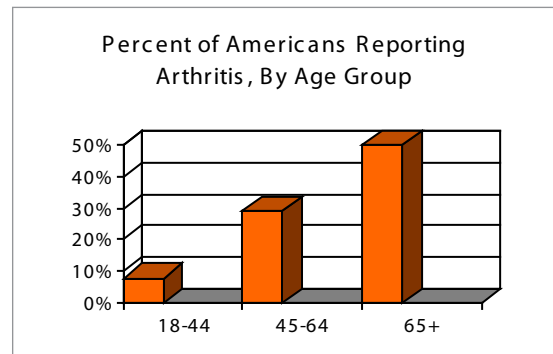
The following chart shows the relationship of Medicare cuts to practice expenses. Clearly, Medicare is forcing physicians into untenable economic situations.



Source: Cost data is from the Medicare Economic Index (MEI), an index of practice cost growth by the Centers for Medicare and Medicaid Services. Both the Medicare Economic Index and Medicare physician pay cuts are reported in the 2007 Annual Report of The Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

Issue #2: Demand for physician care, particularly specialty care for arthritis and bone and joint disorders, will surge in the coming years.

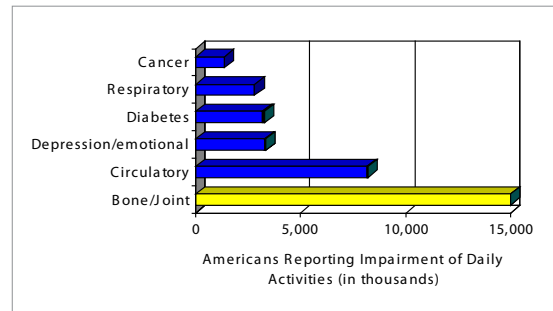
In certain key specialties, these cuts represent a false economy. For example, one of the most pressing health problems facing the country is bone and joint disorders. The best-known of these, arthritis, afflicts 50% of Americans age 65 and over.



Source: National Center for Health Statistics, National Health Interview Survey, 2003-2005

Issue #3: Bone and joint disorders bleed \$339 billion in productivity from the economy every year.

Bone and joint disorders impair daily activities more than other conditions:



Source: National Center for Health Statistics, National Health Interview Survey, Adult Sample, 2005

This impairment results in significant loss of productivity. In 2004, lost wages for persons with a bone or joint disease diagnosis totaled \$339 billion. Clearly, it makes good economic sense to put these people back to work.

Source: Medical Expenditures Panel Survey, Agency for Healthcare Research and Quality, U.S. Dept. of Health and Human Services, 1996-2004.

Issue #4: There are too few specialists—and greater shortfalls projected—to handle the coming explosion in demand for care.

As the baby boomer near retirement age, they will demand more and more treatment for bone and joint disorders. The most qualified individuals to treat these conditions are orthopedic surgeons.

But the number of orthopedic surgeons is not growing fast enough to meet demand. Between 1994 and 2004, the number of orthopedic surgeons per 100,000 citizens has grown at only 1.1% per year.

Source: Orthopaedic Practice and Medical Income in the U.S. 2004-2005, American Academy of Orthopaedic Surgeons, January, 2005.

The supply of orthopedic surgeons must grow 23-54% by 2020 to meet future demand

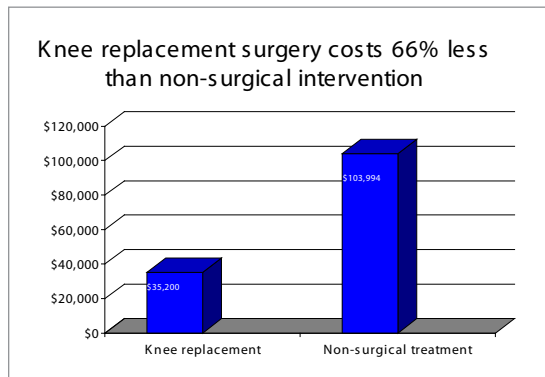
Source: Health Resources and Services Administration, "Physician Supply and Demand: Projections to 2020," October, 2006.

Yet meeting that supply seems unlikely, given the economics of orthopedic surgery. Orthopedic surgeons' reimbursement for treating the top 25 bone and joint conditions has been cut 28% since 1992.

Source: Hariri S, Bozic KJ, Lavernia C, Prestipino A, Rubash H, "Medicare Physician Reimbursement: Past, Present, and Future," JBJS (Am) 2007; 89:2536-2546.

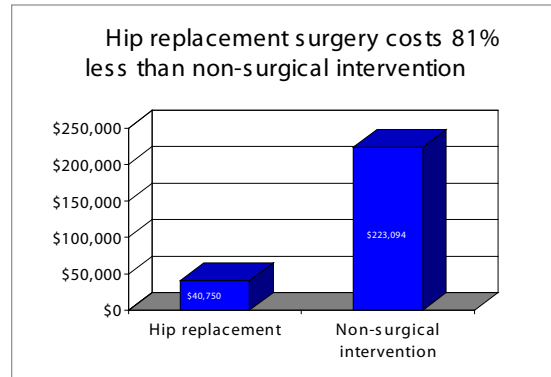
Issue #5: Treatment for these disorders is very effective and highly cost-efficient

Ironically, the most valuable procedures are being the hardest hit by Medicare fee cuts. Hip and knee replacement surgery are two of the most cost-effective procedures in medicine, saving \$69,000-\$180,000 per surgery over the life of the patient, as compared to non-surgical treatment.



Source: Gottlob, CA, Pellissier JM, Wixson RL, Stern SH Stulberg SD, Chang RW, "The Long-Term Cost-Effectiveness of Total Knee Arthroplasty for Osteoarthritis," AAOS Scientific Paper #114, Atlanta GA, February 23, 1996.

Figures adjusted to 2007 dollars, and represent the comparative cost of surgical vs. non-surgical treatment over the life of an average 70 year old patient with end-stage osteoarthritis.



Source: Chang RW, Pellissier, JM, Hazen, GB, "A Cost-effective Analysis of Total Hip Arthroplasty for Osteoarthritis of the Hip," JAMA, Vol. 275, No. 11, 1996, pp. 858-865. Figures adjusted to 2007 dollars, and represent the comparative cost of surgical vs. non-surgical treatment over the life of an average 60 year old patient with end-stage osteoarthritis.

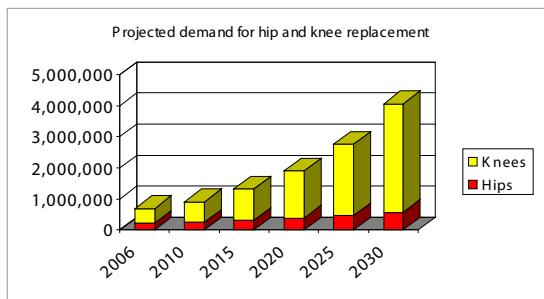
Issue #6: Reimbursement cuts harm specialists at the very time that they are needed most.

Medicare does not seem to recognize this value, cutting surgeons' fees 42-45% since 1992 for these valuable procedures.

Procedure	1992 Medicare Physician Payment	2007 Medicare Physician Payment	Change	Inflation-Adjusted Change
Total Knee Replacement	\$1816	\$1465	-19%	-44%
Total Hip Replacement	\$1697	\$1361	-20%	-44%
Revision Total Hip Replacement	\$2215	\$1862	-16%	-42%
Revision Total Knee Replacement	\$2123	\$1689	-20%	-45%

Source: Hariri S, Bozic KJ, Lavernia C, Prestipino A, Rubash H, "Medicare Physician Reimbursement: Past, Present, and Future," JBJS (Am) 2007; 89:2536-2546.

These highly-skilled surgeons may very well be driven away from providing care at the very time that they are needed most. Indeed, the demand for total joint replacement is expected to skyrocket in the coming years. Knee replacement is expected to grow 673%, and hip replacement 174% by 2030.



Source: Kurtz, *et al.*, JBJS (Am); 2007; 89:780-85.

The end result of future cuts to physicians' fees will be that fewer surgeons will be willing to enter the orthopedic specialty. As a result, the future demand for these and other highly effective and cost-efficient procedures will be unmet. Indeed, in 2007-08, 38% of hip and knee replacement fellowship positions went unfilled.

(Source: Lorio R, Robb WJ, Healy WL, Berry DJ, Hozack WJ, Kyle RF, Lewallen DG, Trousdale RT, Jiranek WA, Stamos VP, Parsley BS, "Orthopaedic Surgeon Workforce and Volume Assessment for Total Hip and Knee Replacement in the United States—Preparing for an Epidemic.")

Issue #7: If the July cut is enacted, 68% of physicians will be forced to restrict Medicare treatment or drop out of the program altogether.

Physicians have indicated that additional cuts will force them to make significant changes to their practices. According to a recent survey of AMA members:

- **If payments are cut by 10.6% in July:**
 - 60% will restrict or stop accepting new Medicare patients
 - 8% will stop treating Medicare patients altogether
- **If payments are cut by 40% by 2016:**
 - 77% will restrict or stop accepting new Medicare patients
 - 44% will stop treating established Medicare patients altogether

Source: "AMA Member Connect Survey: Physicians' Reactions to the Medicare Physician Payment Cuts," AMA Division of Market Research and Analysis, January, 2008. Document available at http://www.ama-assn.org/ama1/pub/upload/mm/399/mc_survey.pdf

The cuts will only exacerbate an existing shortage of physicians. Three different sources are projecting physician shortages of 55,000-200,000 by the year 2020.

Source: Health Resources and Services Administration, "Physician Supply and Demand: Projections to 2020," October, 2006

Source: Council on Graduate Medical Education, "Physician Workforce Policy Guidelines for the U.S. for 2000-2020," U.S. Department of Health and Human Services, 2005.

Merritt, J., Hawkins, J., *et al.*, "Will the Last Physician in America Please Turn Off The Lights? A Look at America's Looming Doctor Shortage," Practice Support Resources, Inc., 2004.

Your support is needed to avert a crisis of patient access to needed specialty care

Failure to address the physician payment formula will only exacerbate an already-looming access crisis, particularly in the critical area of bone and joint disorders, arguably the most common and costly ailments in America, for which proper treatment is highly cost-effective.

We remind you again of the conclusion reached by MEDPAC:

"We are concerned that repeated annual reductions in physician payment rates would threaten beneficiaries' access to physician services."

*-Medicare Payment Advisory Commission
Report to Congress, March, 2008*

Whatever path Medicare and healthcare in this country will follow, effective treatment is not possible without skilled specialists. We urge you to support an 18-month moratorium on further cuts, to allow Congress and Medicare appropriate time to address the flawed formula that will result in an additional 40% pay cuts by 2016. We fear that, without immediate action, this country will face a healthcare access crisis which will require even more expensive remedies.



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