

SJR

3

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 3/7/07

FURTHER: Rules

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 3/26/07

Health, Education and Social Services Committee considered SENATE JOINT RESOLUTION NO. 3

SJR 3 MEDICARE RATES IN ALASKA

Relating to the effect of Medicare rates on senior citizens' access to healthcare; and urging the United States Congress to increase Medicare rates for Alaska.

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
<hr/>
HOUSE BILL:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indef	Zero	FN#
S.HES	3/26/07			✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indef	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED LAST NAME	Do Not PASS	Do Not PASS	AMEND
<i>[Signature]</i>	Elton	✓		
<i>[Signature]</i>	Thomas	✓		
<i>[Signature]</i>	Cowden	✓		
<i>[Signature]</i>	Dysal			✓
CHAIR: Bettye Davis	DAVIS	✓		

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Senator_Bill_Wielechowski@legis.state.ak.us

SENATOR BILL WIELECHOWSKI

SPONSOR STATEMENT SJR 3

"A resolution relating to the effect of Medicare rates on senior citizens' access to healthcare; and urging the United States Congress to increase Medicare rates for Alaska."

Approximately 55,000 Alaskans rely on the federal Medicare Program to meet their health care needs. Unfortunately this program is increasingly letting down some of Alaska's most vulnerable citizens.

Many Alaska physicians say Medicare pays less than 50% of what it costs them to treat their patients. As a result, an alarming number of doctors are refusing to accept new Medicare patients, and many are terminating existing patients, leaving a growing number of senior and disabled Alaskans without access to medical care.

The American Medical Association calls the Medicare reimbursement formula "broken beyond repair." It reports that in 2008 Alaska will lose \$8 million in federal payments to doctors as a result of cuts in Medicare reimbursement rates and projects a loss of \$240 million between 2008 and 2015.

The Military Officers Association of America says Medicare reimbursement rates are also hurting military beneficiaries' access to care since military health insurance is linked to Medicare reimbursement rates.

SJR 3 calls on Congress and the U.S. Department of Health and Human Services to address this crisis by rewriting the formulas used to develop Medicare reimbursement rates for Alaska. It also urges Congress to address inequities in physician reimbursement that are leading to the collapse of the primary care system and limiting seniors' access to those physicians best qualified to coordinate their care.

I urge you to join me in helping disabled and senior Alaskans by supporting SJR 3.

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Anchorage Daily News

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Fewer primary care doctors take Medicare

By ROSEMARY SHINOHARA
Anchorage Daily News

(Published: February 18, 2007)

After Henry Taylor's doctor moved to Homer, Taylor, who is 77, needed two things: an Anchorage physician to prescribe drugs for diabetes and other ailments, and relief for his aching back.

He didn't realize his lungs were quietly killing him. He didn't find out until it was too late because he is on Medicare, and doctor after doctor refused to see him.

There's a crisis in health care for Alaska's older residents: Few primary care doctors take new patients on Medicare, the federal insurance program for people 65 and older.

The crisis is not new, but evidence indicates it is worsening.

Alaska is short of primary care doctors in general. And many of them say they can afford to treat only limited numbers of Medicare patients, if any, because the rates are too low -- often less than half what a doctor normally charges.

"When you get close to 23 to 25 percent of your visits from Medicare patients, you're going bankrupt," said Dr. Bruce Kiessling of Primary Care Associates, the largest primary care group in the state. "We do not take new Medicare, not at all."

Primary Care keeps existing patients who age into Medicare.

Once retired people turn 65, Medicare rules, even if a person has private insurance as well. Doctors must charge Medicare patients no more than Medicare allows. Medicare pays 80 percent of the allowed charge, after an annual deductible is met. The patient or private insurance picks up the rest.

About 55,000 Alaskans are enrolled in Medicare.

Some doctors opt out of Medicare altogether and patients are responsible for payments. Kiessling's office did that for a time.

"You can't blame the providers for not wanting to see us because the federal government is paying so little," said Janet Mischler, 67, a retired nurse. "A lot of people don't go (to the doctor) unless it's really bad."



Henry Taylor had problems finding a doctor. By the time the 77-year-old finally located a physician who accepted Medicare, his cancer was beyond help. He is one of 55,000 Alaskans who are enrolled in the federal health insurance entitlement.

(Photo by BOB HALLINEN / Anchorage Daily News)



Henry Taylor and daughter Pat Cochran talk about his problems finding a doctor. "I call myself 'Medicareless Henry,'" he joked.

(Photo by BOB HALLINEN / Anchorage Daily News)

Medicare represents a significant share of federal spending, and the government wants to hold costs as low as possible. The president's upcoming budget anticipates that payments to doctors will be cut at least 8 percent next year, The New York Times reported recently.

Anchorage residents on Medicare seem to have a harder time finding primary care doctors than in most of the country, although many say they don't have a problem getting in to see specialists like cardiologists or lung doctors.

Some Alaskans report they go Outside to get their general checkups because it's easier.

Doctors say there's such a big disparity between what Medicare allows for a service and what Alaska doctors charge non-Medicare patients partly because it costs more to practice medicine here.

Dr. Richard Neubauer, an internist who often speaks out on Medicare, said overhead is higher. There are no big outside forces, such as huge corporations or unions, that can impose their will on the medical establishment and drive down costs, Neubauer said.

* The state's congressional delegation persuaded Congress that Alaska doctors needed special rates during 2004 and 2005. Alaska won a temporary boost of more than 50 percent in Medicare payments, according to a report at the time from the Alaska State Medical Association.

The delegation tried and failed to get that boost extended. The rates dropped in January 2006, and remain flat for 2007.

Those in the trenches of senior health care in Alaska say Medicare clients have more trouble than ever getting in to a general practitioner.

"It's gotten worse and worse and worse," said Rita Hatch of the Older Person's Action Group. She surveys Anchorage doctors' offices daily to see who's taking new Medicare patients and finds hardly any. "It's the most serious problem seniors are facing right now," Hatch said.

People seeking new doctors call Anchorage Neighborhood Health Center with two messages, said Dr. Tom Hunt, the center's medical director: My doctor dropped me, or, more commonly, I moved my mother into town. Or we just moved in, and this is the ninth doctor I called.

Anchorage Neighborhood Health is a nonprofit corporation that serves a lot of uninsured patients but is open to everyone. However, the center offers only limited advance appointments.

Hatch advises callers to use an advanced nurse practitioner instead of a doctor, because nurse practitioners are more accessible.

Anna Bell Stevens, 77, goes to a nurse practitioner. It works well, until she needs a doctor, she said. When she had pneumonia several years ago, she went to a small clinic near her house in Turnagain on a Saturday.

"When the lady saw I was past 65, she said, 'We're not taking Medicare patients.' I am dying, practically, and they wouldn't see me. There is something wrong with a system when you cannot walk into a doctor's office and pay for being seen. To me, it's just absolutely wrong."

Technically, a person can choose to pay out-of-pocket for services, and ask the doctor not to bill Medicare. But in practice, Medicare beneficiaries say, places that aren't taking new Medicare patients often won't see them, regardless.

Mary Ann Lindbeck, 82, secured a doctor for her husband, who has since died, by breaking down in her doctor's office.

"I was trying to get Ed in there. The office nurse was saying, 'We aren't taking any more, we can't.' And I burst into tears. (Her doctor) came by, looked at me, and said, 'What's the matter with you?'"

Henry Taylor, who lives in South Anchorage with daughter Pat Cochran and a Boston bull terrier that licks everything that moves, relies on his sense of humor in a grim situation.

"I call myself 'Medicareless Henry,'" he joked.

After the doctor Taylor had been seeing moved to Homer, Taylor drifted from one untenable arrangement to the next.

Though he lives off O'Malley Road, Taylor started seeing a doctor at the Acute Family Medicine Clinic in Eagle River because they would take him. Effective January 2006, that doctor wrote patients that the clinic would no longer bill or receive payments from Medicare -- they were opting out altogether.

Then Taylor went to an urgent care clinic but had to wait sometimes for hours before they could get to him. With his back problems, that was a struggle.

Sometimes a doctor's willingness to take new Medicare patients changes from day to day.

Taylor's daughter had contacts at AARP and elsewhere, and moved fast whenever she got word a doctor might be taking Medicare patients.

"I probably called two or three dozen," Cochran said.

Taylor got a tip that a 77-year-old semi-retired doctor might see him, and in November he finally got a comprehensive exam. That's when they discovered he had advanced lung cancer.

Outside Alaska, Medicare clients mostly report adequate access to doctors, says a 2006 study by the Government Accountability Office, a congressional watchdog agency. But the GAO survey found twice as many Alaskans reported major difficulty signing on with a doctor than the national average.

The government has an interest in keeping health costs down, so if the system is working well, Congress is unlikely to raise reimbursement rates.

Why is it such a problem here?

Dr. Neubauer said medical care is more expensive to deliver here than in other states.

A recent study done for the University of Alaska and the state Department of Health and Social Services documented a growing shortage of doctors here compared with the national average, and cited a need for even more than we have as the population ages. The large Baby Boom generation starts turning 65 in 2011, just four years from now, and is expected to strain the health care system further.

With enough primary care doctors, the Medicare population would be spread around and the system would be more workable, Neubauer said.

U.S. Sen. Lisa Murkowski, R-Alaska, secured a seat on the Senate Health, Education, Labor and Pensions Committee partly to work on improved Medicare coverage in Alaska, she said in an interview.

Murkowski said she'll push aggressively to get higher reimbursement rates, and thinks colleagues are coming to recognize that Alaska's situation is different. "Our facts are just that much more extreme."

Murkowski has scheduled a Senate Health Committee hearing in Anchorage Feb. 20 to allow doctors to explain how the Medicare rates affect their practices, and members of the public to share their experiences.

For Henry Taylor, any help with Medicare will come too late.

He is getting treatment, but there is no hope for a cure.

"They said from the beginning, 'We cannot save your life,'" said his daughter, Cochran. "It's in both lungs. It's inoperable. It's in his bones."

Which leaves Taylor and Cochran wondering whether his outlook could have been better, with more timely treatment.

Daily News reporter Rosemary Shinohara can be reached at rshinohara@adn.com or 257-4340.

How it works

Here's an example of what Medicare pays in Alaska, compared with what doctors and nurse practitioners charge other patients:

At Health Works Family Medical Clinic in Eagle River, an established patient on the most common visit would be charged \$121, said office manager Renee Blakely. Medicare allows \$59.70.

If someone comes in with a list of problems, and takes an hour, the charge would be \$281, said Blakely. Medicare pays \$122.07.

Speak out

U.S. SEN. LISA MURKOWSKI will hold a hearing on the shortage of primary care physicians in Alaska, particularly in rural areas. The hearing by the Senate's Health, Education, Labor and Pensions Committee begins at 9 a.m. Tuesday at Loussac Library.

Medicare at a glance

Medicare is health insurance for people 65 and older, and for people younger than that with certain disabilities.

• **MEDICARE PART A** covers hospital care, and everyone gets it free.

• **PART B** covers services of doctors and nurse-practioners. It is optional, and costs money -- \$93.50 per month for those who make \$80,000 or less. If you don't take Part B when you are first eligible, it can cost more.

• **PART D** is the new, optional, prescription drug coverage. Beneficiaries choose from among a variety of available plans that cost different amounts. There can also be a penalty for joining late.

HOW DOCTORS GET PAID:

1. ASSIGNMENT: You assign Medicare to pay your doctor directly. If a doctor accepts assignment, the doctor agrees to collect only the amount Medicare approves.

2. NO ASSIGNMENT: Your doctor may accept Medicare but not accept assignment. In that case, the doctor may charge more than the Medicare-approved amount. But still, doctors are generally limited to charging a maximum of 15 percent more.

Source: Centers for Medicare & Medicaid Services



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Web posted Sunday, February 25, 2007

Diagnosis: Alaska's shortage of doctors a growing problem

By Melissa Campbell
Alaska Journal of Commerce



Dr. Ross Tanner, president-elect of the Alaska State Medical Association, right, sitting next to Dr. Harold Johnson, director of Alaska Family Practice Residency, and Dr. Richard Neubauer, internal medicine, left, testifies during a Feb. 20 Health, Education, Labor, and Pensions Committee field hearing, chaired by Sen. Lisa Murkowski, R-Alaska, in Anchorage. AP PHOTO/AI Gnito

Alaska's health care system is nearing a crisis stage, with rising costs, lower reimbursement rates, a shortage of doctors and few methods to entice caregivers to work in the state, doctors and health care advocates told Sen. Lisa Murkowski.

Chairing a field hearing of the Senate Health, Education, Labor and Pensions Committee on Feb. 20, the state's junior senator heard from people who have trouble finding doctors and from doctors who tried to explain why

that is.

She also heard ideas on how the federal government could help ease the situation.

Health care is a major concern nationwide. In Alaska, the cost of health care is roughly 70 percent higher when compared to the Lower 48, adding to the financial burden.

Last year, Americans spent \$1.9 trillion on health care, Murkowski said. That's more than was spent on food or housing, and four times the amount spent on national defense. By 2015, that figure is estimated to balloon to nearly \$4 trillion. Alaskans spend more than

\$5 billion a year on health care, a figure that is also expected to increase in coming years.

Those rising figures are largely attributed to an aging population — assuming that the older one gets, the more often he needs to see a doctor, and the more medications he'll need to take. In 20 years, some 20 percent of the U.S. population will be 65 years old or older, Murkowski said.

In Alaska, the number of those older than 65 is expected to increase from 43,000 to 124,000 between 2005 and 2025.

At the same time, experts predict a national shortage of 200,000 physicians, with a shortage of nearly 400 in Alaska. About a third of the nation's doctors are nearing retirement age, while for the past quarter-century, medical schools have kept enrollments virtually flat.

Murkowski read off several messages from constituents detailing their troubles in finding a doctor to accept a new Medicare patient, either themselves or a family member. Some said they had made more than 100 calls to doctors in the Anchorage area and were turned down.

One was speaker Carl Berger, of the Lower Kuskokwim Economic Development Council in Bethel. Berger just turned 65 and entered into the Medicare system. His doctor of 20 years retired, and Berger can't find a general practitioner to take him as a patient.

"Lucky for me I have a heart condition," he said. "I'm able to see another doctor. But what doctor would want to see me if he get reimbursed only 40 percent of his costs?"

Speaker Frank Appel, of the Alaska Commission on Aging, recently got a letter from his doctor of 15 years saying that once Appel reaches 65, he'll have to find a new doctor.

"I believe the challenge faced by seniors and others who can't find a doctor is intolerable," Murkowski said at a Commonwealth North health care discussion held later that afternoon. "This is not a new problem, but I think people believe that it's not going to happen to me. I think people should realize that turning 65 is one of those things that happens after 64. We must help current physicians stay in the practice of medicine and increase our health care work force."

Rita Hatch, a volunteer with the Older Persons Action Group, a senior advocacy organization, said she does an ongoing survey of Anchorage doctors who accept new Medicare patients. There are currently about 20 doctors on her list.

The Anchorage Neighborhood Center is the only facility taking new patients, and it is being overwhelmed.

Doctors said they are reimbursed only 40 percent of their actual costs for services provided to Medicare patients. That doesn't cover their overhead costs.

"It seems like we are the bad guys," said Dr. Ross Tanner,

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president-elect for the Alaska State Medical Association. "But for me to remain financially soluble, I have to be paid for what I do."

He added that a plumber or engineer would not be asked to take a reduction in their fees, but that's exactly what the federal government demands when doctors treat Medicare patients.

"It's not a greed thing," he said. "I don't have a bunch of money that I go home and roll around in every day. I am the cheapest thing that Medicare could spend their money on. I am cheaper than the emergency room or any specialist."

Everyone agreed that efforts in recruitment and education need to be stepped up, but those are costly programs.

The annual cost of recruiting doctors to Alaska is more than \$24 million, said Karleen Jackson, commissioner of the state Department of Health and Social Services. The average cost to hire a physician surpassed \$74,000.

Medical school can cost from \$125,000 in a public school to \$200,000 in a private college. That's a huge debt load for a young person, Tanner said.

Alaskans have the lowest acceptance rate of applicants entering into medical school. And those entering into school now won't be ready to open their own practices for at least seven years.

Alaska needs 59 new doctors each year to approach national levels of doctor to population ratios. But Alaska has no medical school, is limited on the number residency students it can train and is limited on the number of students it can enroll into a Washington state medical school program.

That means that a number of Alaskans who want to become a doctor will have to train Outside. Statistics show that doctors practice within 100 miles of where they trained.

So how to make it better?

Doctors offered several suggestions:

- Enact federal legislation to fix the Medicare payment system to reflect the higher Alaska costs.
- Enact legislation to provide tax credits for young doctors to practice in "frontier" states, like Alaska.
- Enact legislation to revamp the funding for residencies.
- Develop programs to help medical students with the debt garnered to attend medical school.

*

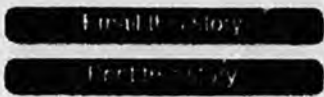
Alaska is already involved in programs that have helped train Alaskans to be doctors or to bring doctors to Alaska, including the University of Washington Medical School Partnership, known as WWAMI, for the Northwest states that are involved in the partnership. Lawmakers are working to expand the number of slots allowed for Alaskans to enter into the program.

On the federal level, Murkowski and Sen. Ted Stevens continue to work for higher Medicare and Medicaid reimbursements for Alaska providers. Earlier this year, Alaska's senators introduced the Rural Physician Relief Act, a bill that provides tax incentives for doctors to practice in rural areas.

Soon, Murkowski will introduce the Physician Shortage Elimination Act, which will double the funding for the National Health Service Corp., a program dedicated to meeting the needs of the underserved. Some 80 percent of the applicants to the program are turned away each year.

The bill will allow rural and underserved residency programs to expand by removing barriers that prevent programs from developing rural training rotations, and will create programs that target disadvantaged youth in rural areas by creating a pipeline into health care careers. The bill also offers grants to community health centers to expand residency programs.

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Medicare's physician payment update formula: The facts

The Congressional Budget Office recently forecast that Medicare physician payment rates would be reduced by 10 percent in 2008 under current law. The 2006 Medicare Trustees report predicts cumulative reductions in Medicare physician payment rates of nearly 40 percent by the year 2015. These successive annual reductions are due to a statutory formula governing annual Medicare payment updates that is broken beyond repair and must be replaced.

It is critical that a permanent, long-term replacement for this payment formula be identified as it is producing disastrous effects. In addition to generating the forecast 40 percent pay cuts by 2015, the formula:

- Has kept average 2007 Medicare physician payment rates about the same as they were in 2001
- Has prevented physicians from making needed investments in staff and health information technology to support quality measurement
- Punishes physicians for participating in initiatives that encourage greater use of preventive care in order to reduce hospitalizations
- Has led to a budget baseline that is widely viewed as unrealistic and that has driven policymakers to enact short-term interventions that have increased the duration of cuts and the cost of a long-term, permanent solution

The law provides for Medicare physician payment rates to be updated each year:

- The initial element in each year's update calculation is the Medicare Economic Index or MEI, a conservative government index of practice cost inflation.
- The update is then adjusted up or down from MEI based on the sustainable growth rate or SGR.
- The SGR was created by Congress in the Balanced

Budget Act of 1997 as a target rate of growth in Medicare spending for physician services.

- The key factors in setting the SGR are Gross Domestic Product (GDP) growth, changes in law and regulation, Medicare enrollment and price changes.
- If expenditures exceed the SGR targets, then annual physician payment updates are less than annual increases in practice cost inflation.

There are several fatal flaws in the SGR:

- Utilization of physician services grows more rapidly than GDP, so using GDP as the standard for utilization growth in the SGR means that the target is always set too low.
- The "law and regulation" factor has not been appropriately adjusted to reflect new Medicare coverage policies, such as macular degeneration treatment and implantable cardiac defibrillators. Omitting the costs of such treatments from the SGR targets increases the likelihood of pay cuts.
- None of the factors in the SGR recognize Medicare spending due to technological advances, shifts from care being provided in hospitals to being provided in physician offices and other medical practice trends. Services that may save money for the Medicare program as a whole or improve quality, therefore, can still lead to cuts in Medicare physician payment rates.
- Spending for Part B drugs has been improperly included in the SGR calculations and is growing much more rapidly than physician services. As a result, drug spending consumes an ever-increasing share of a target that is already too low, increasing the likelihood of SGR-driven pay cuts. The American Medical Association (AMA) continues to call for the Administration to remove drug spending from its SGR calculations.

Continued on next page...



Surveys have shown that SGR-driven pay cuts would hurt seniors' access to physician care:

- The Medicare Payment Advisory Commission has found that increasing numbers of Medicare beneficiaries report "big problems" finding new primary care and specialist physicians. The Commission is concerned that Medicare pay cuts will worsen patient access problems.
- AMA surveys of physicians have found that nearly half would have to decrease or stop accepting new Medicare patients if payments were cut.
- The Military Officers Association of America states SGR pay cuts would significantly damage military beneficiaries' access to care under TRICARE, as TRICARE payments are linked to Medicare rates.
- The congressionally-created Council on Graduate Medical Education is already predicting a shortage of 85,000 physicians by 2020. Medicare cuts will exacerbate this shortage by making medicine a less attractive career.

Physician services have extended patients' lives and improved seniors' quality of life, despite a significant rise in chronic disease among the elderly:

- The Centers for Disease Control reported 50,000 fewer deaths in 2004, the biggest single-year reduction in mortality since the 1930s.

- An August 2006 *Health Affairs* article by Kenneth Thorpe and David Howard found that "virtually all of the growth in spending from 1987 to 2002 can be traced to the twenty-percentage-point increase in the share of Medicare patients receiving medical treatment for five or more conditions during a year."
- Medical advances added about a half year to seniors' life spans between 1999 and 2002 alone. Deaths from heart and cerebrovascular disease have been falling by about 3 percent a year in recent years and the cancer death rate over the last decade has fallen by about 1 percent a year.
- An August 2006 *New England Journal of Medicine* article by David Cutler et al. concluded that, "although medical spending has increased over time, the return on spending has been high... concern about high medical costs needs to be balanced against the benefits of the care received."
- Utilization of physician services is not the cause of the Medicare program's financial predicament, and cuts in physician payment rates are not the way to improve Medicare's financial sustainability.

The time has come to replace the Medicare update formula with a new approach that will provide adequate financing for physician services.

Support legislation in 2007 to stop Medicare physician payment cuts triggered by the SGR and replace it with a formula that provides annual updates that reflect increases in physician practice costs.

IMPACTS OF MEDICARE PHYSICIAN PAY CUTS IN ALASKA

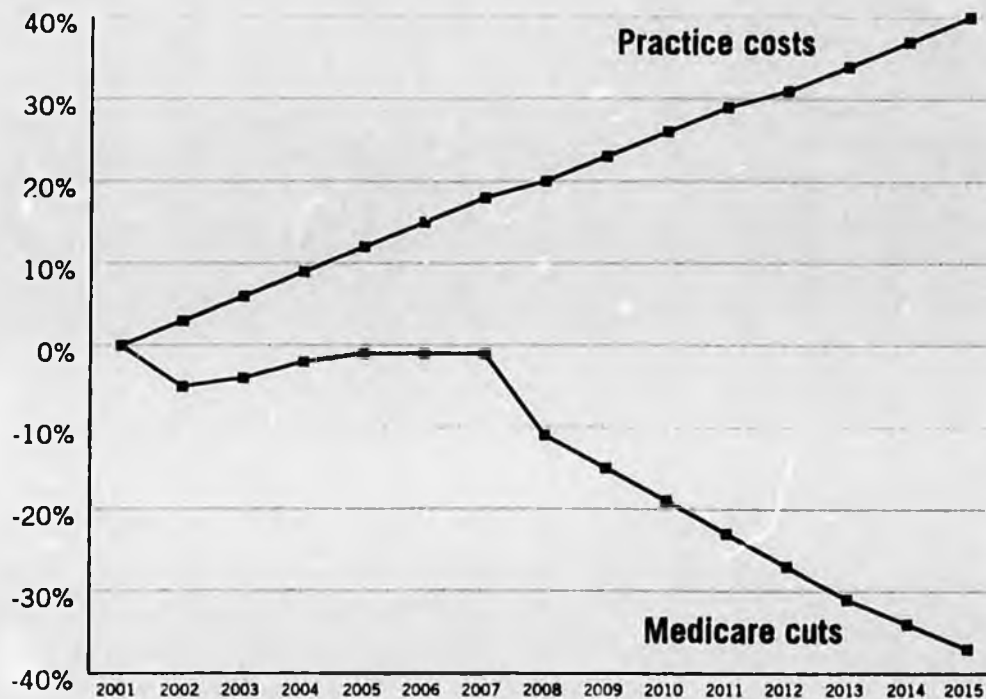
- Alaska will lose \$8 million in health care funds due to the projected 10% negative update in 2008, and the state will lose \$240 million by 2015 due to 8 years of SGR cuts.
- 6,969 employees, 47,519 Medicare patients and 78,803 TRICARE patients in Alaska will be affected by these cuts.
- Compared to the rest of the country, Alaska, at 232 practicing physicians per 100,000 population, has a below-average ratio of practicing physicians to population, even before the cuts take effect.
- 43% of Alaska's practicing physicians are over 50, an age at which surveys have shown many physicians consider reducing their patient care activities.

Note: The special Alaska BPCI which added \$27 million per year for 2004 and 2005 expired on 1/1/06. So, the additional loss will really be more than the \$240 million cited above.



Future bleak for seniors, baby boomers. Medicare to cut payments as boomers enter the program

Without congressional intervention, Medicare will slash physician payments nearly 40 percent over eight years beginning in 2008, while practice costs increase almost 20 percent. These cuts come at a time when Medicare payments to physicians already lag far behind the cost of caring for seniors. In 2010, the leading edge of the baby-boom generation will start enrolling in Medicare, with enrollment growing from 43 million in 2010 to 49 million by 2015.



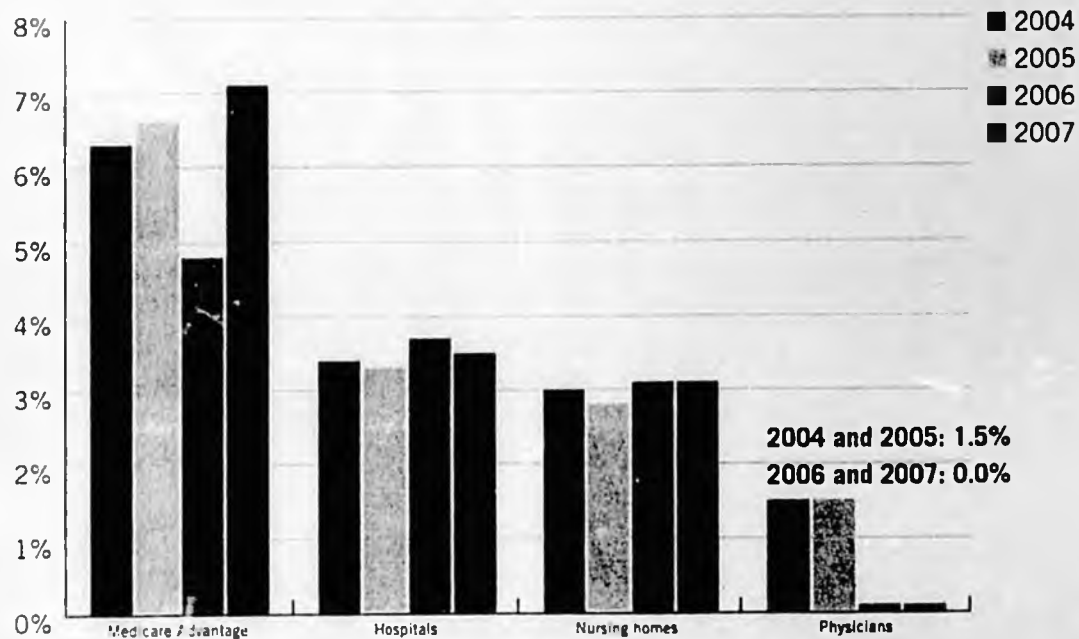
Sources: Physician cost data is from the MEI, a conservative index of practice cost growth maintained by the Centers for Medicare & Medicaid Services. Medicare physician payment updates are from the 2006 Medicare Trustees report, with adjustments for 2008 to reflect the Congressional Budget Office analysis of the "Tax Relief and Health Care Act of 2006." Any change in pay that may result from use of the \$1.35 billion "physician assistance and quality initiative fund" for 2008 is not included.

Support legislation in 2007 to stop Medicare physician payment cuts triggered by the SGR and replace it with a formula that provides annual updates that reflect increases in physician practice costs.



Physicians vs other providers: 2004-2007 Medicare payment updates

Physicians received below-inflation updates in 2004 and 2005 and zero percent updates in 2006 and 2007, while other Medicare providers' payment updates have kept pace with their costs.



Source: Centers for Medicare & Medicaid Services final announcements.

Support legislation in 2007 to stop Medicare physician payment cuts triggered by the SGR and replace it with a formula that provides annual updates that reflect increases in physician practice costs.



STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

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January 22, 2007

The Honorable Lisa Murkowski
United States Senate
709 Senate Hart Building
Washington, D.C. 20510

Re: Support of HR 6111

Dear Senator Murkowski:

On behalf of the Alaska Commission on Aging and more than 43,000 Alaskans age 65 and older, thank you for your support of the Medicare provisions in Division B, Title 1, Section 101 of the *Tax Relief and Health Care Act of 2006, HR 6111* that sustained the 2006 physician reimbursement rates for 2007 and benefited doctors who treat Medicare patients.

We also appreciate your efforts to implement a higher reimbursement provision for Alaska physicians serving Medicare patients which Congress unfortunately failed to pass this past session. This provision, which was in place for two years (2004 and 2005) but not renewed in January 2006 and 2007, is an effective strategy to motivate doctors to serve new and existing Medicare patients and increases access to health care services for all older Alaskans. We urge you to continue your efforts to support a renewal of this provision during this Congressional session.

Over the past year, the Alaska Commission on Aging has received an increase in the number of alarming reports from older Alaskans enrolled in Medicare who are being denied medical services by their physicians because the Medicare reimbursement rate for these services is less than what doctors would receive from private payment or other insurance carriers. Some older Alaskans are having difficulty locating any provider in their area who will take new Medicare patients.

During our initial investigation of this problem, we have learned that physician refusal of Medicare patients is a situation unique to Alaska because the physician's cost of providing patient services in Alaska exceeds their Medicare reimbursement rate. The demographic situation in Alaska may be a contributing factor in that older adults comprise a smaller percentage of the state's total population as compared to other states, and therefore a smaller share of a physician's client caseload, thus providing less financial incentive for doctors to treat Medicare patients, especially when they receive a lower reimbursement rate.

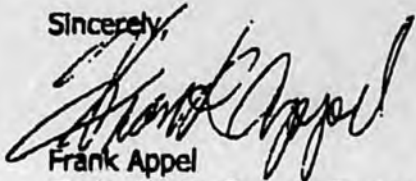
Senator Murkowski
Page Two

We hope you will continue your efforts to promote access to medical care for older Alaskans by supporting legislation this session that increases the reimbursement rate to Alaska physicians and other providers serving seniors enrolled in Medicare. Older Alaskans also need your support for legislation that provides incentives to physicians treating Medicare beneficiaries who reside in rural, remote, and urban health professional shortage areas of Alaska.

Please feel free to call on the Alaska Commission on Aging should your legislative efforts require research and analysis of this issue or others that affect the quality of life of older Alaskans.

Thank you for your continued efforts to renew legislation that allows for a special Medicare reimbursement provision for physicians providing medical service to older Alaskans.

Sincerely,



Frank Appel
Chair, Alaska Commission on Aging



Denise Danielle
ACoA Executive Director

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SJR 3
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
 Title SJR 3 Medicare Rates in Alaska RDU _____
 Component _____
 Sponsor Senator Davis
 Requester (S) Health, Education & Social Services Committee Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: (S) HEALTH, EDUCATION & SOCIAL SERVICES COMMITTEE
 Division _____
 Approved by: /s/ Senator Bettye Davis, Chair
 Agency _____

Phone 465-3822
 Date/Time _____
 Date 3/26/2007