ACP American College of Physicians℠
INTERNAL MEDICINE | *Doctors for Adults*

Enact a Fiscally-and Socially-Responsible Alternative to Sequester Cuts

May 21-22, 2013

The American College of Physicians (ACP) believes that sequestration, or across-the-board cuts, will compromise essential programs to improve the access, quality and safety of health care in the United States and must not be allowed to stand. Across-the-board cuts, which do not take into consideration the importance or effectiveness of any particular program or activity, are not an appropriate method of governing. ACP recognizes that Congress has a responsibility to reduce the budget deficit, which will include reductions or elimination of unnecessary spending on programs that have little public benefit. However, critical programs to ensure that patients have access to physicians, to support research to prevent and cure illness, to improve public health, to prevent disease, and to improve quality and access to care need to be funded at a level that allow them to function effectively. Policymakers should work to improve the effectiveness of care provided, make necessary and appropriate changes in entitlement programs-including Medicare cost-sharing, reform payment and delivery systems, and support the proven value of primary care.

What specific concerns does ACP have about the impact of the sequester on key federal health programs?

PHYSICIAN WORKFORCE

Within the Title VII Health Professions program, the **Section 747, Primary Care Training and Enhancement** is the only source of federal training dollars available for general internal medicine, general pediatrics, and family medicine to maintain and expand the pipeline of primary care production. Under sequestration, the Section 747 program will see a reduction of $1.96 million; with fewer grant dollars, residency programs will not be able to fund new initiatives relating to increased training in inter-professional care, the patient-centered medical home, and other new competencies required in our developing health system.

The **National Health Service Corps (NHSC)** funds training for thousands of primary care clinicians who provide care to tens of millions of persons in underserved communities, providing scholarships and loan forgiveness to enable primary care physicians to be trained to serve in underserved communities. A loss of $15.3 million, as is expected under sequestration, for the NHSC could result in as many as 272 fewer scholarships and loan repayment awards, resulting in 272,000 fewer individual patients served by NHSC primary care clinicians in FY2013.

Sequestration will have a significant impact on Medicare's long-standing support for **Graduate Medical Education (GME)** and ultimately will limit teaching hospitals' and physicians' ability to care for all patients and train the next generation of physicians due to the 2 percent cut. GME funding is crucial for training physicians in the specialties facing critical workforce shortages—including internal medicine, family medicine, and geriatrics.

On April 1, **payments for all Medicare services** provided by physicians on or after that date have been reduced by 2 percent as a direct result of sequestration. Unfortunately, threats of payment cuts are nothing new to physician practices, and a 2 percent cut from sequestration is in addition to the nearly 25 percent Medicare SGR cut set to go into effect on January 1, 2014 due to the sustainable growth rate (SGR) formula. Continued cuts in payments to physicians will cause access problems for patients, job losses and/or furloughs and more.

PUBLIC HEALTH

The **Health Resources and Services Administration (HRSA)** funds programs to improve access to health care services for people who are uninsured, isolated or medically vulnerable. Due to sequestration, HRSA loses $312 million in discretionary funding and $73 million in mandatory funding. Community health centers, which provide primary health care as a safety net for some 50 million of our fellow citizens, will be forced to reduce their capacity and serve 900,000 fewer patients; these are Americans who already have difficulty accessing essential health care services.

The **Centers for Disease Control and Prevention (CDC)** is involved with a wide range of indispensable public health programs, including emergency preparedness and response, environmental health, workplace safety and health, infectious and chronic diseases and conditions, injury prevention and control, and healthy living. Since 2008, more than 46,000 state

and local jobs in health agencies and health departments have been lost, representing nearly 21 percent of the total state and local health department workforce; under sequestration, the CDC loses $575 million in FY2013.

HEALTH RESEARCH

The **Agency for Healthcare Research and Quality (AHRQ)** leads the way in identifying new delivery system methodologies to help facilitate the provision of care that is both of the highest quality and delivered as efficiently as possible—consistent with a high value health care system. Because AHRQ is primarily funded through intergovernmental transfers, it is not subject to sequestration. However, the Patient-Centered Outcomes Research Trust Fund, which transfers a portion of its funding to AHRQ, is subject to sequestration, causing AHRQ to sustain a $3.093 million reduction.

The **National Institutes of Health (NIH)** is critical to funding research to prevent and treat diseases and improve care for all Americans. Under sequestration, for FY2013, the NIH loses $1.544 billion; it is estimated that Research Proposal Grant (RPG) success rates will drop from 18 percent in FY2011 to 14 percent in FY2013.

What are ACP's ideas for achieving savings and better outcomes?

ALTERNATIVES TO SEQUESTRATION

Across-the-board cuts that do not take into consideration the importance and effectiveness of different health care programs is the wrong way to reduce the deficit. The right way is to enact a balanced package of reforms that focus on changes that can be made to further restrain health care cost increases and eventually reduce per capita health care spending. Such reforms could include:

- Transition to new payment systems aligned with value; please see the handout entitled, *Eliminate Medicare's Sustainable Growth Rate and Transition to Improved Payment Models for Patients and Physicians* for more information.
- Establish a national, multi-stakeholder initiative to reduce marginal and ineffective care and promote high-value care.
- Provide patients and clinicians with information on the comparative effectiveness of different treatments.
- Establish patient incentives and insurance designed to encourage high-value care and reduce use of low-value treatments and tests.
- Reduce the costs of defensive medicine; please see the handout entitled *Authorize and Fund a National Pilot of No-Fault Health Courts* for more information.
- Preserve and broaden financing for Graduate Medical Education and allocate GME funding more strategically, based on an assessment of national workforce priorities and goals; please see the handout entitled, *Reform and Sustain Graduate Medical Education Financing and Ensure an Adequate Physician Workforce* for more information.
- Authorize Medicare to negotiate prescription drug prices.
- Enact a cap on the deductibility of employer-sponsored health insurance.
- Create a single shared cost-sharing structure for the different parts of Medicare.

More information on ACP's recommendations to reduce costs, with estimates of potential savings, is available at: http://www.acponline.org/advocacy/where_we_stand/medicare/super_comm_menu.pdf.

What are ACP members asking Congress to do?

Congress should:

- ✓ Reverse the $1.2 trillion in across-the-board sequestration cuts;
- ✓ Enact alternative reforms to improve health outcomes and achieve savings, as suggested by ACP; and
- ✓ Stop the cuts to vital programs that ensure access to physicians, support research to prevent and cure illness, improve public health, prevent disease, and improve quality and access to care.

For more information on ACP's positions, please visit the Advocacy section of ACP Online, http://www.acponline.org/advocacy/.