

United States Senate

WASHINGTON, DC 20510

November 15, 2013

Donald W. Black
President
American Academy of Clinical Psychiatrists
P.O. Box 458
Glastonbury, CT 06033

Dear Donald W. Black:

We are writing to you regarding the Sustainable Growth rate (SGR). While well intended, this 1997 deficit reduction effort, which set Medicare reimbursement rates using a formula tied to economic growth, "has failed to restrain volume growth and, in fact, may have exacerbated it." (Medicare Payment Advisory Commission, October 14, 2011 letter to lawmakers).

There is widespread, bipartisan agreement that the SGR is broken beyond repair and yet, year after year, a permanent fix has remained out of reach. While there remains some difference of opinion on the details of what would replace the SGR, the general outlines are clear. We must continue to move toward a system of payment that encourages wise treatment decisions and focuses on the quality of care provided with an eye toward improving outcomes in a cost-effective way.


Year after year, it has not been how to reconfigure the Medicare payment system that has stymied progress but the failure to identify a way to pay for these changes. This year may finally be different. At \$138 billion over ten years, the base cost of permanently replacing the SGR is at the lowest it has been in years. At the same time, the cost to taxpayers of paying non-discounted drug prices for the 9.6 million Americans who rely on both Medicare and Medicaid is at an all-time high. Just by going back to paying rebate pricing for this group (less than 20% of the full Medicare population), \$141.2 billion could be saved over ten years, fully paying for the a permanent fix of the SGR.

The Medicare Drug Savings Act (S. 740, H.R. 1588) is a sensible way to pay for replacing the SGR. It would return drug pricing for the dual eligibles to the same mechanism that was used prior to the passage of Part D and still for the Medicaid program, a mechanism that would not harm patients, doctors or hospitals in any way. With this simple change we can finally move beyond the SGR and create needed certainty and stability for both physicians and hospitals.

This solution will not be possible without your help. It is time for every provider that relies on Medicare to take a stand not just on the need to eliminate the SGR but on a sensible way to get it done. If your policy committee has not yet

reviewed the Medicare Drug Savings Act, we ask that you have them do so as soon as possible. Your endorsement of this key legislation could be the difference between yet another short-term patch and a permanent solution.

Sincerely,


John D. Rockefeller IV


Angus King

Cc: Beverly Davidson, Executive Director