



April 23, 2013

Majority Leader Harry Reid
Minority Leader Mitch McConnell
U.S. Senate
Washington, DC 20514

Speaker John Boehner
Minority Leader Nancy Pelosi
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker and Congressional Leaders:

With rising health care costs threatening the nation's long-term fiscal outlook, we urge you to take bipartisan action this year to restrain costs as part of any future budget deal. While there are numerous approaches to address this pressing issue, we encourage policymakers to focus on reducing unnecessary care rather than the traditional—and counterproductive—approach of across-the-board cuts, which often leads to more unnecessary care.

Two pieces of legislation before Congress illustrate these different approaches. First, the Medicare Physician Payment Innovation Act (H.R. 574), introduced by Reps. Allyson Schwartz (D-PA) and Joe Heck (R-NV), shows great promise and would replace the current incentives in Medicare for doctors and hospitals to provide unnecessary care. It would end the cycle of cutting prices to provider payments, which doctors and hospitals try to make up by providing more services.

Specifically, this legislation calls for the development and implementation of alternative provider payment methods and phasing down the current a la carte, fee-for-service system. Alternatives would include a bundled payment for a specific problem (e.g., a hip or knee replacement). Efforts like these would increase accountability among doctors and hospitals for both patient care and related costs.

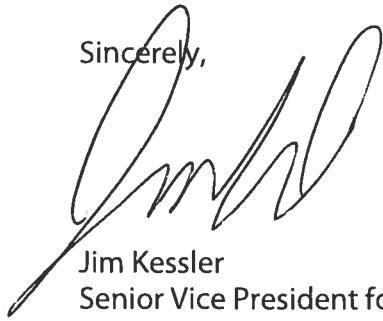
Yet not all approaches share this same promise. For example, the Medicare Drug Savings Act of 2013 (H.R. 1588/S. 740) introduced by Rep. Henry Waxman (D-CA) and Sen. John Rockefeller (D-WV) takes a different approach to our nation's health care cost problem. This bill would require automatic payment reductions for prescription drugs used by low-income or disabled Medicare beneficiaries who are also enrolled in Medicaid. We are skeptical of this approach which we believe would create little or no benefit for recipients and would also reduce the incentives for drug manufacturers to invest in new products that can help the sickest and most vulnerable Americans.

Access to prescription drugs has proven to save money. According to the Congressional Budget Office, the drug coverage provided under Medicare Part D reduces health care costs by preventing and replacing more expensive treatments. Congress should look for ways to expand the use of drugs, as well as patient adherence to their prescription regimens, in order to save additional money from unnecessary care.

There is bipartisan agreement that our nation's long term health care costs are unsustainable. As you design policies to tackle this issue, we urge policymakers to

avoid approaches that would mindlessly cut payments and promote unnecessary care. Instead, Congress can foster a virtuous cycle of reducing wasteful care through reforms to doctor and hospital payments based on patient outcomes and total costs for care. We look forward to working with you on these critical issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jim Kessler', with a long, sweeping underline that extends to the left.

Jim Kessler
Senior Vice President for Policy
Third Way