



ALLIANCE FOR INTEGRITY IN MEDICARE
aimcoalition.com

PARTNERS IN THE COALITION



April 23, 2014

The Honorable Ted W. Lieu
*California State Senate
Business, Professions, and Economic
Development Committee*
State Capitol, Room 2053
Sacramento, California 95814

The Honorable Mark Wyland
*California State Senate
Business, Professions, and Economic
Development Committee*
State Capitol, Room 2053
Sacramento, California 95814



Chairman Lieu and Vice-Chair Wyland:

The undersigned organizations, as part of the Alliance for Integrity in Medicare (AIM), a broad coalition of medical specialty, laboratory, radiation oncology, physical therapy, and medical imaging groups committed to ending the practice of inappropriate physician self-referral, strongly support Senate Bill 1215 for consideration in the Senate Business, Professions and Economic Development Committee.



The overly-broad application of the in-office exception within the California physician self-referral law compromises patient care by incentivizing inappropriate utilization of medical services. Furthermore, the use of the exception should be for routine diagnostic procedures, such as x-rays and blood tests, not for advanced procedures like physical therapy, advanced diagnostic imaging, radiation therapy, or anatomic pathology. Keeping these more complicated medical services under the exception does not facilitate greater patient convenience and only bolsters the continuation of questionable utilization patterns. By removing these services named in the bill from the exception, your legislation will realign provider incentives to help ensure appropriate utilization and patient care is in the best interests of taxpayers, patients, and the American health care system overall.



We would particularly like to call your attention to the focus on this issue at the federal level, where the organizations comprising the AIM Coalition continue to be gravely concerned about the ongoing misapplication of the in-office ancillary services (IOAS) exception of the Stark physician self-referral laws. We believe the current loophole created by the IOAS exception provides a dangerous incentive which translates into increased health care spending, unnecessary utilization of medical services, and potentially compromised patient choice. Of note, the Medicare Payment Advisory Commission (MedPAC), the Government Accountability Office (GAO), and many academic studies have all recently found that this exception is consistently abused at the federal level.



President Obama's fiscal year 2015 budget proposed to exclude physical therapy, radiation therapy, advanced imaging, and anatomic pathology from the IOAS exception of the Stark self-referral laws. The Office of Management and Budget concluded that closing the loophole

for these services would provide savings of over \$6 billion throughout the standard 10-year budget window. This profound financial data further illustrates the reality that physician self-referral arrangements lead to overutilization of Medicare services and, as a result, should be addressed by Congress.

These ongoing issues serve only to erode the integrity of the Medicare program and undermine patient care, as well as contribute to the national debt. Included in a report that addresses the US national debt and deficit is the recommendation to restrict physician self-referrals and narrow the IOAS exception to the Stark self-referral laws. The Simpson-Bowles deficit commission released a report on the national debt and the deficit in April of 2013 that specifically says, “physician self-referrals should be further restricted and better monitored, including narrowing the ‘ancillary service exception.’”

We believe Senate Bill 1215 will protect patients from unnecessary services and provide savings to the health care system in California. There is clear and extensive evidence that providers with a financial incentive are more apt to over-utilize services that leads to the increase of health care costs. Furthermore, GAO found that the IOAS exception allows for the overutilization of services that increases the risk of medical complications to patients.

Given the heightened scrutiny of physician self-referral arrangements at the federal level, we urge you to consider action to close similar loopholes at the state level to ensure that providers render the highest-quality, safest, and most-appropriate care that patients deserve. The members of the AIM Coalition support SB 1215 and thank you for your consideration of this important issue.

Sincerely,

Members of the Alliance for Integrity in Medicare:

*American Clinical Laboratory Association
American College of Radiology
American Physical Therapy Association
American Society for Clinical Pathology
American Society for Radiation Oncology
Association for Quality Imaging
College of American Pathologists
Radiology Business Management Association*

PRESS CONTACT:

Michelle Kirkwood, ASTRO
703-286-1600
michellek@astro.org

The Alliance for Integrity in Medicare (AIM) is a broad coalition of medical societies committed to ending the practice of inappropriate physician self-referral and focused on improving patient care and preserving valuable Medicare resources. AIM partners include the American Clinical Laboratory Association (ACLA), the American College of Radiology (ACR), the American Physical Therapy Association (APTA), the American Society for Clinical Pathology (ASCP), the American Society for Radiation Oncology (ASTRO), the Association for Quality Imaging (AQI), the College of American Pathologists (CAP) and the Radiology Business Management Association (RBMA). More information is available at www.aimcoalition.com.