

The Honorable Max Baucus
United States Senate
Washington, D.C. 20510

Dear Senator Baucus:

We understand the Senate Finance Committee soon intends to consider draft legislation to block the upcoming statutorily mandated reduction in payments to physicians under the fee-for-service Medicare program. As you know, this 10 percent cut would otherwise occur on January 1, 2008. I write to reiterate the Administration's commitment to strengthen and improve Medicare, and to ensure our Nation's seniors continue to have access to, and choices among, high-quality benefits through this important program.

The Administration looks forward to working with Congress on appropriately offsetting legislation to mitigate the cut to physician reimbursement rates under Medicare. To that end, we ask that Congress adhere to the following principles for an update to the physician fee schedule.

Such a bill should:

- Pay for any adjustment to the physician fee schedule formula by responsibly adjusting payments to other providers in the fee-for-service Medicare program.
- Bear in mind the impact on beneficiary premiums of potential increases in Part B spending for physicians, when considering appropriate offsets.
- Condition receipt of a portion of any fee adjustment to adoption of certified electronic health information technology. Physicians who do not adopt appropriate, available technology should receive a lower payment than those who do.
- Implement payment policies to ensure patients receive high-quality care in the most medically appropriate and efficient setting without increasing costs for taxpayers or for Medicare and its beneficiaries.

Conversely, the President's senior advisors would recommend a veto of any bill that:

- Raises taxes on the American people to fund spending increases.
- Results in the loss of access to health care services, benefits, or choices in the Medicare Advantage program, through which nearly 20 percent of seniors and Medicare beneficiaries with disabilities currently receive their benefits.
- Disturbs, undermines, or overturns the many successes of the new Medicare prescription drug benefit.
- Undermines efforts to promote fiscal solvency in the Medicare and Medicaid programs. For example, legislation should not repeal the Medicare funding warning or erode the programs' fiscal integrity by overturning regulatory policies developed by the Administration.

We look forward to working with you to produce legislation that the President can sign into law. The Office of Management and Budget advises that from the standpoint of the Administration's program, there is no objection to the transmittal of this letter.

Sincerely,
Michael O. Leavitt