



Pennsylvania Orthopaedic Society

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June 10, 2009

The Honorable Edward G. Rendell
Governor, Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, PA 17120

Dear Governor Rendell:

Thank you for the opportunity to discuss Mcare issues with you on May 26th. The Pennsylvania Orthopaedic Society (POS) appreciates your continued leadership in addressing these fundamental barriers to the recruitment of the best and brightest young, high risk specialty physicians to Pennsylvania. As Dr. Joshua Port described to you at the meeting, orthopaedic surgeons across the Commonwealth still face a daunting task recruiting new, young talent, but the problem is acute in rural areas like his hometown of Altoona. Your recognition of this situation and your willingness to seek solutions is to be commended.

At the May 26th meeting, you asked the medical community to present your Administration a plan to deal with funding for the Mcare issues – the Phase Out, the Run Off and the Bulge. As a result of a follow-up conversation with Insurance Commissioner Ario, we determined our best course is to present a plan that effectively deals with the Mcare issues as well as providing funding for the state budget deficit, adultBasic expansion, hospital-based clinics for the uninsured and other Medicaid spending priorities. We hope this plan is responsive to your request and forms the basis for discussions among your Administration, the General Assembly and the medical community.

We further understand that others in the medical community will advance a five year retirement plan. The POS previously expressed support for this plan. Given the deteriorating state revenue reports and projections for April, May and June, we now believe a ten year retirement plan is a more fiscally viable option. By our estimates, a ten year retirement plan will provide more resources for the current budget deficit; will enable your Administration and the General Assembly to fund a variety of healthcare priorities; and will allow the Mcare Fund to be retired in the least disruptive manner.

To that end, the attached documents detail our plan. In brief, we propose a ten year Phase Out period with \$100,000 increments every two years. We also propose the creation of a new Mcare

Retirement Account that will receive revenue from various sources and will be used to relieve the Bulge issue and ultimately retire the Mcare Fund's unfunded liability.

Specifically, we propose that the Health Care Provider Retention Account surplus be allocated as follows: \$300 million to a new Mcare Retirement Account; \$350 million to the General Fund for deficit reduction; and \$63 million for the expansion of the adultBasic program. In addition, we propose that the Mcare Retirement Account receive revenue from: \$0.10 per pack of the current \$0.25 per pack cigarette tax; the Auto CAT Fund surcharges; and the projected \$128 million Mcare Fund surplus. Over the ten year Phase Out period, these revenues would build to over \$1 billion and would be used to make Bulge payments and retire the Fund. We also propose a review of this plan's expenses and revenues in five years to determine if the goals will be met.

The POS believes this plan will effectively deal with the Mcare issues while providing substantial revenue for the current budget crisis. We also believe this plan provides an important safety net for the state government and the medical community by requiring a review of expenses and revenues in five years. This plan is fiscally sound and addresses the needs and desires of your Administration and the General Assembly. We hope you will agree.

As a final note, the POS supported your adultBasic expansion efforts throughout the last legislative session and into this current session. We believe providing healthcare insurance to the uninsured is an effective method to ensure access to healthcare services. As the expansion plan moves forward, however, we request that you carefully consider the level of physician reimbursement. A reimbursement system that reimburses physicians in amounts that are lower than other government supported programs may ultimately result in physician participation rates that are lower than your expectations.

Thank you again for your continued support of our Society's members and the opportunity to work with you on these important issues. Our staff is available to work with your staff on the specifics of our plan. We look forward to your response.

Sincerely,



Gerald R. Williams Jr., MD
President

cc: Honorable Joel Ario, Insurance Commissioner
Honorable Donna Cooper, Secretary of Planning & Policy