



## KEY PROVIDER ISSUES IN HEALTH CARE REFORM

June 2010

### MEDICARE SUSTAINABLE GROWTH RATE

The **Medicare Sustainable Growth Rate (SGR)** formula was created by Congress in 1997 to keep cumulative spending on Medicare physician services in line with growth in the general economy. Each year since 2002, the SGR method for determining the annual updates to the Medicare and TriCare physician fee schedule would have resulted in a reduction in payment rates without congressional intervention. Instead, Congress approved a series of short-term fixes, pushing the cost of repeal of the SGR higher, and the future reductions greater each year. Without a temporary or permanent fix (also known as the “doc fix”), CMS must impose a 21.2% cut in 2010.

Although physician groups and Congress have proposed a number of changes to the SGR, there is neither consensus supporting a policy to replace the SGR nor the financing to pay for the change. The medical community continues to seek a permanent repeal of SGR, citing the profound impact on Medicare and TriCare patients’ access to care if payments to physicians are decreased. Fixing the SGR system is widely supported by Congress and the White House and most efforts have been bipartisan; however, the Congressional Budget Office’s (CBO’s) estimates for repeal are over \$300 billion over 10 years. The staggering cost of a permanent fix has led Congress to create temporary, monthly fixes since December 2009 and offer other assistance as outlined below.

#### Recent SGR/Physician Payment Congressional Activity

- *Department of Defense Appropriations Act, 2010 (H.R. 3326)* - Prevents physician payment cuts slated to take place on January 1, 2010 until February 28, 2010 (became law on 12/19/2009).
- *Temporary Extension Act of 2010 (H.R. 4691)* – Prevents physician payment reductions from taking place from February 28, 2010 until March 31, 2010 (became law on 3/2/2010).
- *Patient Protection and Affordable Care Act (H.R. 3590)* - Though changes to SGR were struck from the final health care bill due to cost, a number of payment improvements were made (signed into law on March 23, 2010).
  - 10% incentive payments for primary care physicians whose visits comprise at least 60% of their total Medicare charges from 2011–16.
  - 10% incentive payments for general surgeons performing major surgery in health professional shortage areas from 2011–16.
  - 5% incentive payment for mental health services for 2010.
  - Re-establishes a national average “floor” on Medicare’s geographic payment adjustment (commonly known as the GPCI) for physician.

For information, visit [www.strategichealthcare.net](http://www.strategichealthcare.net), or contact Marian Lowe, Partner, Strategic Health Care, at 202-266-2606 or at [marian.lowe@shcare.net](mailto:marian.lowe@shcare.net).

- *Tax Extenders Act of 2009 (H.R. 4213)* - The bill delays payment reductions from taking effect until October 1, 2010, while maintaining fee schedule reimbursements at 2009 levels through September 30, 2010 (amended by the Senate to include the fix, sent back to the House where amendments are possible).
- *Continuing Extension Act of 2010 (H.R. 4851)* – Prevents physician payment reductions until April 30, 2010 (became law on April 15, 2010).
- *Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (H.R. 3962)* – Delays the scheduled 21 percent cut in payment rates for doctors and other providers and provides an increase of 2.2 percent through November 30, 2010.

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