

THE GROWING COST OF ELIMINATING THE SGR:

Postponing the solution just raises the cost

Date of CBO Score	Freeze – 10 Year Score	MEI – 10 Year Score
February 28, 2002	-----	\$126 billion (based upon 2001 and 2002 MedPAC recommendation)
May 5, 2004	-----	\$95 billion
March 24, 2005	\$48.6 billion	\$154.5 billion
March 24, 2006	\$127.2 billion	\$218.2 billion
January 2007	\$170.8 billion	\$252.2 billion
March 2007	\$177.7 billion	\$262.1 billion
March 14, 2008	\$220.1 billion	\$288.1 billion
May 7, 2009	\$285 billion*	\$344 billion

* CBO scored S. 1776, the “Medicare Physicians Fairness Act of 2009,” which would eliminate the SGR and freeze Medicare payments to physicians, at \$246.9 billion over 10 years. This estimate reflects that fact that the Administration published a proposed rule on July 13, 2009 that would remove physician administered (P-A) drugs from the calculation of the SGR, both retrospectively and prospectively. Because the rule was proposed, CBO removed 50 percent of the associated costs of P-A drugs from its baseline, which had the effect of lowering this estimate. If the final rule is issued before enactment, this estimate would be either reduced or increased by about \$40 billion depending on whether the final rule removes P-A drugs.

** Scores from December 2008 CBO Health Budget Options document not included due to inaccuracies in those scores. Those scores (\$318 billion/\$439 billion for a freeze and MEI update respectively) were significantly larger than the scores provided in May 2009.

*** Scores assume a standard fix without a premium hold harmless.

**** In the FY 2003 Consolidated Appropriations, Congress averted a payment cut and provided physicians with a “fully funded” 1.6% update for 2003, which cost \$54 billion over 10 years. It is considered fully funded because the structure of the fix allowed the expenditure targets to be increased to accommodate the fix. Thus the SGR did not recoup the cost of this fix over time. This is one of the reasons why the 10 year cost of an MEI fix decreased from \$126 billion in 2002 to \$95 billion in 2004.