
Repealing Medicare's Sustainable Growth Rate (SGR) System

Proposal

The Senate Finance Committee proposal would replace the 21.5% Medicare physician payment cut scheduled to take effect on January 1, 2010, with a 0.5% positive update. In 2011, the cumulative payment cut required under current law would take effect, producing an estimated 25% across-the-board cut in Medicare payments for all physician services.

Concerns

- Cuts of this magnitude simply cannot be tolerated by the Medicare program. Physicians will be forced to stop seeing Medicare patients, who are already concerned that the Medicare policies being considered in the context of health system reform will have a negative impact on the stability of the program.
 - In a poll the AMA conducted last June, 70% of likely voters said they believe Medicare's reimbursement system needs a permanent solution.
 - In a survey of people 50 years of age and older that AARP conducted in September, 87% said it is important for doctors to be reimbursed adequately so they can continue to accept patients on Medicare.
 - In a Kaiser Health Tracking poll conducted in September, 62% of respondents said they would be less likely to support a health care reform proposal if it would result payment cuts that might make doctors less willing to take Medicare patients.
- Medicare physician payments have failed to keep pace with increases in physician practice costs throughout the decade. In a recent proposed regulation, the Centers for Medicare and Medicaid Services (CMS) acknowledged that current Medicare practice expense reimbursements cover only about 51% of the average physician's direct practice costs.
- Retaining the SGR runs counter to many health system reform proposals and goals. Initiatives to improve care coordination, promote primary care, and expand the use of preventive services can be expected to increase the number of physician visits, which would trigger additional payment cuts in the future.
- Experience has shown that relying on budget gimmicks to provide temporary relief from Medicare cuts only raises the costs of implementing a permanent solution.

HEALTH SYSTEM REFORM

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- In 2005, the Congressional Budget Office said that freezing physician payments would cost \$48.6 billion over 10 years; this year, it estimated the cost at \$285 billion.
- The Administration acknowledged this in its 2010 budget, which made more realistic budget assumptions and included funds to account for “expected Medicare payments to physicians.”
- Physicians are committed to working with Congress and the Administration to design new Medicare payment systems that promote delivery reforms, including increased efficiency and quality improvements for all patients. However, a stable and predictable payment system that allows physicians to plan ahead for practice innovations, investments, and personnel decisions is essential for broader system reforms to occur.

Recommendation

- The current physician payment baseline paints a false picture of actual Medicare spending and is an obstacle to permanent payment reform. When health system reform legislation is considered on the floor, Senators should vote to waive the Budget Act in order to repeal the SGR and replace it with a new payment system.