



## Now is the time to repeal the SGR

On March 1, Medicare physician payments will be slashed by 27.4 percent unless Congress acts immediately. Congress should take the opportunity provided by the Conference Committee on pay-roll taxes, unemployment insurance and the SGR to repeal this failed formula once and for all.

Repealing the SGR formula now is the fiscally responsible thing to do:

- With each short-term patch, the scheduled cuts get steeper and the cost of payment reform grows. In 2005, the formula could have been repealed for less than \$50 billion. Today, the cost is nearly \$300 billion. In five years, the combined cost of short-term patches and accumulated SGR debt will reach \$600 billion.
- It is irrational to invest more taxpayer money to support a policy that is a proven failure. A two-year patch will cost \$39 billion **AND** increase the cost of future efforts to repeal the SGR by an additional \$56 billion **AND** increase the projected cut in 2014 to 36 percent.
- Furthermore, if allowed to continue, the SGR will require rapidly escalating amounts of politically challenging pay-fors in the future to prevent additional cuts.

Using the Overseas Contingency Operations (OCO) fund to offset the cost of SGR repeal is a sensible way to balance the books. Due to CBO scoring requirements, it is widely acknowledged that the current baseline projects much more spending for Iraq and Afghanistan under the OCO than is likely to occur. It is also widely accepted that the current baseline projects much lower spending on Medicare services because the CBO is required to assume steep physician cuts will occur despite broad acknowledgement that Congress has not—and likely will not—allow such cuts to be implemented.

Capping OCO expenditures, as was done in the U.S. House-adopted Budget Resolution (H. CON. RES. 34), should be used to offset the cost of repealing the SGR—eliminating both of these distortions in the current baseline while not increasing the deficit.

**Now is the time to act in a bipartisan, bicameral manner to address this ongoing threat to physician access for Medicare and TRICARE patients once and for all.**