

Challenges In Medicare Physician Payment

Cuts

- Once again, on January 1, 2013, payments to physicians who treat our nation's seniors are scheduled to be slashed by 27% due to the Sustainable Growth Rate (SGR) formula.
- Medicare physician payments have been nearly frozen for a decade, while the cost of caring for patients has increased by more than 20 percent.
- For more than a decade the SGR has put seniors' access to high quality medical care in jeopardy by calling for blunt cuts to compensation to all physicians based solely on the volume of services, not on the quality of care provided.
- In addition to the SGR, sequestration mandated by the Budget Control Act is scheduled to reduce reimbursements by 2% starting in January, and a number of Medicare "incentive" programs such as EHR Meaningful Use, e-Rx, the value-based modifier, and PQRS have already, or will soon begin to move from incentives to penalties for non-compliance placing further strain on physicians.

Repeal

- Permanently repealing the SGR formula is the only fiscally responsible course of action. With each short-term patch enacted by Congress, the scheduled cuts get steeper and the cost to fix the problem increases. For example, in 2005, permanent repeal would have cost less than \$50 billion. Today, the cost to simply freeze payments at 2012 levels for the next 10 years is more than \$270 billion, and when the cost of short term patches is included that cost will grow to more than half a trillion dollars in a few short years.

Replace

- The ACS has worked diligently over the past two years to craft an SGR replacement proposal known as the Value Based Update or VBU. The VBU would set quality goals for physicians based on the patients or conditions they treat. It is intended to stabilize or lower the cost of healthcare by tying payment to performance standards.
- The VBU is a replacement for the SGR formula and is intended for use only after the SGR is fully repealed and all costs have been offset.
- Payer strategies should address 5 key areas: quality outcomes, cost, patient experience, appropriateness, and liability reform.
- Work on the draft VBU proposal, including modeling its effects on Medicare spending, are ongoing and the College is committed to being a partner in the search for a viable replacement to the current unworkable formula. However, it is up to Congress to act to prevent the impending cuts and repeal the SGR in order to pave the way for new payment systems that both reduce cost AND improve quality.