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Will the SGR Finally be Retired?

Medicare spending continues to be a significant contributor to soaring healthcare expenditures. The Sustainable Growth Rate (SGR) formula, enacted as part of the Balanced Budget Act of 1997, was designed to control aggregate growth in Medicare spending by: (1) setting annual spending targets based on inflation; (2) Medicare enrollment; (3) national gross domestic product; and, (4) regulatory developments.[1] The SGR bases annual adjustments to the Medicare Physician Fee Schedule (MPFS) on the relationship between actual spending and targeted spending: if actual spending does not exceed targets, the physician fee schedule update would result in increased physician reimbursements for Medicare services; but, if actual spending exceeds the targets, the physician fee schedule update would result in a reduction in Medicare reimbursements.[2] Spending has exceeded targets every year since 2002, yet each year Congress has overridden the spending cuts called for by application of the SGR formula, leading to constant debate between policy holders over the correct action.[3]

As healthcare spending continued to increase in the 21st century, the formula became problematic for healthcare providers and policymakers alike, with many seeking "*fixes*" to the flawed formula. In the past decade alone, Congress has spent almost $150 billion in overriding annual cuts to physician reimbursement based on the SGR formula[4]; however, due to recent Congressional action, the FY 2014 SGR reimbursement cut of 24.4% has been postponed until March 31, 2014, allowing Congress sufficient time to deliberate on a permanent solution to the SGR.[5] While some alternatives and solutions have been proposed in recent years, it appears that the legislation voted out of the Senate Finance Committee and the House Ways and Means Committee on December 12, 2013 may be seriously considered to permanently repeal the SGR.[6]

The House bill, entitled, *"Medicare Patient Access and Quality Improvement Act of 2013,"* offers a 0.5 percent update from 2014 to 2016, and a zero percent update from 2017 to 2023.[7] In contrast, the Senate bill, entitled, "*SGR Repeal and Medicare Beneficiary Access Improvement Act of 2013*," maintains the 2013 physician payment rates through 2023.[8] The Senate bill is touted as achieving four main goals:

(1) *"it repeals the SGR and ties payments to quality and efficiency"*[9];
(2) *"it improves the current fee-for-service system by streamlining Medicare's existing web of quality programs into one value-based performance program"*[10];
(3) *"the mark incentivizes movement to alternative payment models"*[11]; and,
(4) *"the mark makes Medicare data more transparent."*[12]

The recent proposals for SGR repeal, which fall in line with the underlying efforts of healthcare reform - "*to move away from the current volume-based payment system to one that rewards quality, efficiency, and innovation*" - suggest the creation of alternative payment models, including performance- or value-based purchasing (VBP) schemes.[13] The new schematic is organized similarly to the impending healthcare VBP program; by 2019, physicians and other licensed independent providers (LIP) will achieve payment adjustments from a composite score based on: (1) performance of quality indicators (30%); (2) resource use (30%); (3) clinical practice improvement activities (15%); and, (4) electronic health record meaningful use (25%) from the prior year.[14]

Previously, physicians, wary of reimbursement cuts and the unreliability of the "*doc fix*," have resorted to refusing Medicare patients and closing private practices. However, under the current healthcare reform, these providers will be needed to provide access to care for the thousands of Americans participating in the new health exchanges and insurance programs promoted under reform legislation. In addition, some commentators posit that the "*issue fatigue*" stimulated by more than a decade of "*doc fixes*" based on the SGR formula, in addition to the implementation of healthcare reform despite the recent partial government shutdown, has created an atmosphere ripe for consideration of the legislation.[15] Toward that end, statements released by the American College of Physicians[16] and the American Medical Association[17] unilaterally applauded the committees' efforts. With three months before the next scheduled reimbursement cut, the proposed legislation to repeal the SGR and provide an alternative means of physician Medicare payment will have a significant impact on providers under impending healthcare reform.

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3 *Ibid*, p. 4

4 "Discussion Draft: SGR Repeal and Medicare Physician Payment Reform", by the House Ways & Means and Senate Finance Committee, October 30, 2013, p. 1

5 "Joint Resolution making continuing appropriations for fiscal year 2014, and other purposes: Pathway for SGR Reform Act of 2013" Amendment to H.J. Res 59, http://www.gpo.gov/fdsys/pkg/BILLS-113hjres59eah3/pdf/BILLS-113hjres59eah3.pdf (Accessed 12/19/13), p. 79

6 "SGR is Finally on its Way Out. Maybe.", by Joe Cantlupe, HealthLeaders Media, November 7, 2013, http://www.healthleadersmedia.com/content/PHY-298104/SGR-is-Finally-on-its-Way-Out-Maybe.html (Accessed 12/8/13)

7 "Medicare Patient Access and Quality Improvement Act of 2013", House Ways and Means Committee, H.R. 2810, July 24, 2013, pp. 3-6; "Amendment in the Nature of a Substitute to H.R. 2810: Offered by Mr. Camp of Michigan", Senate Finance Committee, December 11, 2013, pp. 1, 3

8 "Section by Section Summary of The SGR Repeal and Medicare Beneficiary Access Improvement Act of 2013", Senate Committee on Finance, December 12, 2013, p. 1

9 "Opening Statement of Senator Max Baucus (D-Mont.) on Replacing the Medicare Sustainable Growth Rate: As prepared for delivery," Committee on Finance News Release, Dec. 11, 2013, http://www.finance.senate.gov/imo/media/doc/12122013%20Baucus%20Statement%20on%20Replacing%20the%20Medicare%20Sustainable%20Growth%20Rate1.pdf (Accessed 12/20/13)

10 *Ibid*

11 *Ibid*

12 *Ibid*

13 *Ibid*, by the House Ways & Means and Senate Finance Committee, October 30, 2013, p. 1

14 *Ibid*, pp. 2-5

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16 "Internists Applaud Advancement of Legislation To Repeal and Replace Sustainable Growth Rate", by Charles Cutler, American College of Physicians, December 12, 2013, http://www.acponline.org/pressroom/acp_reacts_sgr_efforts.htm (Accessed 12/16/13)

17 "AMA Praises Near Unanimous Votes to Fix Medicare by Senate Finance and House Ways and Means Committees", by Ardis Dee Hoven, American Medical Association, December 12, 2013, http://www.ama-assn.org/ama/pub/news/news/2013/2013-12-12-ama-praises-votes-to-fix-medicare.page (Accessed 12/16/13)

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