

## Congress Approves “Doc-Fix” to Maintain Medicare Payment Amounts

In the latest installment in the continuing saga over Medicare physician reimbursement cuts suggested by the Sustainable Growth Rate (SGR), less than two weeks prior to the scheduled cuts, Congress passed a measure on February 17, 2012,<sup>1</sup> which halted the Medicare physician payment cuts that were scheduled to be decreased by 27.4% beginning March 1, 2012.<sup>2</sup> Two days earlier, on February 15, 2012, the House-Senate Conference Committee settled the details of a compromise that would fund a 10-month freeze in Medicare payment amounts to physicians.<sup>3</sup>

The “*doc-fix*” created through the House-Senate Committee agreement freezes Medicare payment levels to physicians at 2011 levels through the end of 2012.<sup>4</sup> In total, Congress is allocating \$20 billion from other areas of the federal budget including, \$11.6 billion in cuts to the Affordable Care Act (ACA) and \$9.6 billion in reductions to Medicare bad debt and clinical laboratory payments.<sup>5</sup> Funding for the “*doc-fix*” will also result in a reduction in funding for programs created by the Obama Administration which award grants for preventative care, and will decrease Medicare payments to hospitals with a disproportionate share of uninsured consumers.<sup>6</sup>

Enacted as part of the Balanced Budget Act of 1997, the SGR was designed to control aggregate growth in Medicare spending by setting annual spending targets based on inflation, Medicare enrollment, national gross domestic product, and regulatory developments.<sup>7</sup> The statutory SGR formula mandates yearly adjustments to the MPFS based 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; if actual spending exceeds the targets, the physician fee schedule update would result in a reduction in Medicare reimbursements. 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.<sup>8</sup>

Many medical provider groups, including the American Medical Association and the American Hospital Association, were hoping that Congress would take the opportunity to replace the criticized SGR payment

methodology with a “permanent fix” to payment for physicians.<sup>9</sup> In September 2011, The Medicare Payment Advisory Committee (MedPAC) suggested completely repealing the SGR resulting in a ten year payment freeze for primary care providers and a 17 percent reduction in specialist payments.<sup>10</sup> Without a long-term solution the Medicare program may face significant financial challenges over the coming years.<sup>11</sup> A repeal of the SGR, along with a freezing of physician payment amounts for ten years, could cost as much as \$316 billion, according to the Congressional Budget Office.<sup>12</sup> To date, both Republicans and Democrats in Congress have been hesitant to support a permanent repeal of the SGR, instead opting for such short-term, stop-gap methods as the current “*doc-fix*,” despite the fact that physician fees would still be scheduled to decrease January 1, 2013.<sup>13</sup>

- 1 “Congress Oks Doc Fix, Payroll Tax-Cut Extension” By Margaret Dick Tocknell, Healthleaders Media, February 17, 2011, <http://www.healthleadersmedia.com/content/PHY-276689/Doc-Fix-Awaits-Legislative-Action> (Accessed 02/17/12).
- 2 “Doc associations rip Medicare pay deal” By Jessica Zigmond, Modern Healthcare, February 15, 2012, <http://www.modernhealthcare.com/article/20120215/NEWS/302159974/doc-associations-rip-medicare-pay-deal> (Accessed 02/16/12).
- 3 “SGR Deal Done; Passage Expected This Week” By Emily P. Walker, MedPage Today, February 15, 2012 <http://www.medpagetoday.com/PublicHealthPolicy/Medicare/31201> (Accessed 02/16/12).
- 4 “SGR Deal Done; Passage Expected This Week” By Emily P. Walker, MedPage Today, February 15, 2012 <http://www.medpagetoday.com/PublicHealthPolicy/Medicare/31201> (Accessed 02/16/12).
- 5 “Doc associations rip Medicare pay deal” By Jessica Zigmond, Modern Healthcare, February 15, 2012, <http://www.modernhealthcare.com/article/20120215/NEWS/302159974/doc-associations-rip-medicare-pay-deal> (Accessed 02/16/12).
- 6 “House-Senate deal reached on payroll tax measure” By Andrew Taylor, Associated Press, February 15, 2012, [http://www.boston.com/business/taxes/articles/2012/02/15/lawmakers\\_move\\_to\\_cusp\\_of\\_deal\\_on\\_payroll\\_tax\\_cut\\_1329294566/](http://www.boston.com/business/taxes/articles/2012/02/15/lawmakers_move_to_cusp_of_deal_on_payroll_tax_cut_1329294566/) (Accessed 02/16/12).
- 7 “Estimated Sustainable Growth Rate and conversion Factor, for Medicare Payments to Physicians in 2010” Centers for Medicare and Medicaid Services, November 2009, p. 1.
- 8 “Medicare Physician Payment Updates and the Sustainable Growth Rate (SGR) System” By Jim Hahn, To Members and Committees of Congress, August 6, 2010, Accessed at <http://aging.senate.gov/crs/medicare15.pdf>, (Accessed 12/19/11), p. 4.

- 9 “Doc associations rip Medicare pay deal” By Jessica Zigmond, Modern Healthcare, February 15, 2012, <http://www.modernhealthcare.com/article/20120215/NEWS/302159974/doc-associations-rip-medicare-pay-deal> (Accessed 02/16/12), “Hospitals hit too hard in SGR deal: AHA” By Jessica Zigmond, Modern Healthcare, February 16, 2012, <http://www.modernhealthcare.com/article/20120216/NEWS/302169948/hospitals-hit-too-hard-in-sgr-deal-aha> (Accessed 07/17/12).
- 10 “Moving forward from the Sustainable Growth Rate System” By Cristina Boccuti, et al., Medicare Payment Advisory Commission, September 15, 2011, <http://interactive.snm.org/docs/MedPAC%20SGR%20sept%2011%20handout.pdf> (Accessed 02/23/2012).
- 11 “Medicare At A Glance: Fact Sheet” Kaiser Family Foundation, <http://www.kff.org/medicare/upload/1066-13.pdf>, (Accessed 10/05/2011).
- 12 “FAQ: The ‘Doc Fix’ Dilemma” By Mary Agnes Carey, Kaiser Health News, February 17, 2012, <http://www.kaiserhealthnews.org/Stories/2011/December/15/FAQ-Doc-Fix.aspx> (Accessed 02/24/12).
- 13 “FAQ: The ‘Doc Fix’ Dilemma” By Mary Agnes Carey, Kaiser Health News, February 17, 2012, <http://www.kaiserhealthnews.org/Stories/2011/December/15/FAQ-Doc-Fix.aspx> (Accessed 02/24/12).



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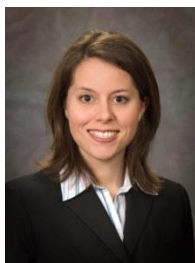
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