

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, 2012,¹ which halted the Medicare physician payment cuts that were scheduled to be decreased by 27.4% beginning March 1, 2012.² 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.³

The “*doc-fix*” created through the House-Senate Committee agreement freezes Medicare payment levels to physicians at 2011 levels through the end of 2012.⁴ 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.⁵ 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.⁶

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.⁷ 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.⁸

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.⁹ 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.¹⁰ Without a long-term solution the Medicare program may face significant financial challenges over the coming years.¹¹ 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.¹² 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, 2013.¹³

- 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/ (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).



(800) FYI - VALU

*Providing Solutions
in the Era of
Healthcare Reform*

Founded in 1993, HCC is a
nationally recognized healthcare
economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

HEALTH CAPITAL CONSULTANTS (HCC) is an established, nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, Missouri, with regional personnel nationwide. Founded in 1993, HCC has served clients in over 45 states, in providing services including: valuation in all healthcare sectors; financial analysis, including the development of forecasts, budgets and income distribution plans; healthcare provider related intermediary services, including integration, affiliation, acquisition and divestiture; Certificate of Need (CON) and regulatory consulting; litigation support and expert witness services; and, industry research services for healthcare providers and their advisors. HCC's accredited professionals are supported by an experienced research and library support staff to maintain a thorough and extensive knowledge of the healthcare reimbursement, regulatory, technological and competitive environment.



Robert James Cimasi, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as President of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books], *“An Exciting Insight into the Healthcare Industry and Medical Practice Valuation”* [2002 – AICPA], and *“A Guide to Consulting Services for Emerging Healthcare Organizations”* [1999 John Wiley and Sons].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.



Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the Senior Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia, and is a Fellow of the American College of Healthcare Executives. He has co-authored *“Research and Financial Benchmarking in the Healthcare Industry”* (STP Financial Management) and *“Healthcare Industry Research and its Application in Financial Consulting”* (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser's Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.



Anne P. Sharamitaro, Esq., is the Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the *Journal of Health Law*, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in *“Healthcare Organizations: Financial Management Strategies,”* published in 2008.