



## The Sustainable Growth Rate (SGR) One Step Closer to Repeal

On December 12, 2013, bills were presented and passed, both in the Senate Finance Committee, and (unanimously) in the House Ways and Means Committee, opening the door for a permanent repeal of the SGR formula.<sup>1</sup> The House of Representatives is projected to pass legislation by the end of December 13, 2013, to delay, for three months (until after the House's holiday adjournment), the 24 percent cut in Medicare payments for physician services,<sup>2</sup> which is currently due to go into effect on January 1, 2014.<sup>3</sup> The Senate will then consider the legislation, and if passed, will provide lawmakers with extra time to consider and pass a permanent SGR repeal in 2014.

As discussed in a June 2013 HC Topics article,<sup>4</sup> the SGR was created by the Balanced Budget Act of 1997,<sup>5</sup> and defines how Medicare and Medicaid compensate physicians, by determining the annual Conversion Factor (CF) under the Medicare Physician Fee Schedule (MPFS).

The Congressional Budget Office (CBO) has estimated that repealing the SGR would cost approximately \$116.5 billion over ten years,<sup>6</sup> a much lower figure than previously estimated, due to a slower than projected growth in Medicare expenditures.<sup>7</sup> Notably, this figure is lower than the total amount of money Congress has spent since 2002 on temporary "*doc fixes*." These "*doc fixes*" have offered legislative relief from pending SGR reimbursement cuts for Medicare providers, but have resulted in a widening gap between the actual cumulative spending and cumulative target in each year the proposed cuts were overridden.<sup>8</sup>

This topic will be discussed in further detail in the monthly December 2013 issue of Health Capital Topics.

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Solution," Press Release, Senate Finance Committee, Dec. 12, 2013, <http://www.finance.senate.gov/newsroom/chairman/release/?id=53e90d43-fd6e-44c8-8958-c9453946703f>.

<sup>2</sup> "Medicare's Payment to Physicians: the Budgetary Impact of Alternative Policies Relative to CBO's May 2013 Baseline updated for Final Rule," Congressional Budget Office, Dec. 6, 2013.

<sup>3</sup> "Q&A: Ardis Dee Hoven 'Optimistic' SGR will be Repealed" By John Commins, Health Leaders Media, Dec. 12, 2013, <http://www.healthleadersmedia.com/print/LED-299202/QA-Ardis-Dee-Hoven-Optimistic-SGR-Will-Be-Repealed> (Accessed 12/12/13).

<sup>4</sup> "Proposal to Repeal the Flawed SGR System," Health Capital Topics, Vol. 6, Issue 6 (June 2013).

<sup>5</sup> "Balanced Budget Act of 1997," Public Law 105-33, Sec. 4502, Aug. 5, 1997, 111 Stat. 432.

<sup>6</sup> "Medicare's Payment to Physicians: the Budgetary Impact of Alternative Policies Relative to CBO's May 2013 Baseline updated for Final Rule," Congressional Budget Office, Dec. 6, 2013.

<sup>7</sup> "Cost of SGR repeal lowered to \$116.5 billion over 10 years" By Andis Robeznieks, Modern Healthcare, Dec. 9, 2013,

<sup>8</sup> "Medicare's Physician Payment Rates and the Sustainable Growth Rate" Statement of Donald B. Marron before the Subcommittee on Health, Committee on Energy and Commerce, and U.S. House of Representatives, Congressional Budget Office, July 25, 2006, p. 9-10.

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<sup>1</sup> "Congressional Leaders Push for Permanent Fix to Broken SGR Formula: Leaders Say Bipartisan, Bicameral Bills Put an End to Quick Fixes, Vow to Continue Work Toward Permanent



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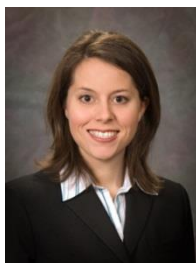
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