



U.S. Senate Passes Another SGR Fix, ICD-10 & “Two-Midnight” Rule Delay

The U.S. Senate voted today to pass the House legislation that will delay the upcoming 24% cut in Medicare payments for a one-year “fix” for reimbursement of physician services from March 31, 2014, to March 31, 2015.¹

This latest version of the “Doc Fix”, to address the problems arising from the *sustainable growth rate* (SGR) since 1997, was voted out of the U.S. House of Representatives on March 27, 2014 to temporarily delay the looming 24% cut in Medicare payments for physician services to March 31, 2015, which was set to go into effect on March 31, 2014.² The House legislation, entitled, “*Protecting Access to Medicare Act of 2014*,” gave Congress additional time to consider a full repeal of the controversial SGR. The House legislation included replacing the 24% cut with a 0.5% payment update through the rest of 2014, and a zero percent update from January 1, 2015 to March 31, 2015.³ Commentators noted that the House vote was conducted without first issuing a roll call.⁴

Importantly, an amendment to the bill also postpones the implementation of the *International Classification of Diseases-10th Revision* (ICD-10), from October 2014 to October 2015.⁵ In addition, the bill contains a clause that delays the implementation of the *two-midnight rule* until March 31, 2015, except in instances when there is evidence of systematic gaming, fraud, abuse, or delays in the provision of care by a provider of services.⁶

As discussed in June 2013 and December 2013 Health Capital Topics articles,⁷ the SGR was created by the *Balanced Budget Act of 1997*,⁸ 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,⁹ a much lower figure than previously estimated, due to a slower than projected growth in Medicare expenditures.¹⁰ 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.¹¹

- 1 Senate Session, C-SPAN2 Broadcast, 3/31/2014.
- 2 “House Passes ICD-10 Delay Vote, AHIMA Calls for Continued Advocacy,” By Chris Dimick, AHIMA (Mar. 27, 2014), <http://journal.ahima.org/2014/03/27/house-passes-icd-10-delay-vote-ahima-calls-for-continued-advocacy/> (Accessed 3/27/14).
- 3 “Protecting Access to Medicare Act of 2014,” H.R. 4302, 113th Congress 2nd Session, p. 4.
- 4 Dimick, March 27, 2014.
- 5 *Ibid.*, p. 19.
- 6 *Ibid.*, p. 11.
- 7 “Proposal to Repeal the Flawed SGR System,” Health Capital Topics, Vol. 6, Issue 6 (June 2013); “Will the SGR Finally be Retired?” Health Capital Topics, Vol. 6, Issue 12 (December 2013).
- 8 “Balanced Budget Act of 1997,” Public Law 105-33, Sec. 4502, Aug. 5, 1997, 111 Stat. 432.
- 9 “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.
- 10 “Cost of SGR repeal lowered to \$116.5 billion over 10 years” By Andis Robeznieks, Modern Healthcare, Dec. 9, 2013, <http://www.modernhealthcare.com/article/20131209/NEWS/312099943> (Accessed 3/27/14).
- 11 “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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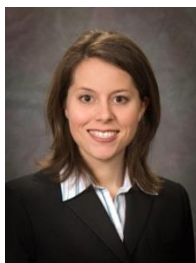
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Institution of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master 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: *“Accountable Care Organizations: Value Metrics and Capital Formation”* [2013 - Taylor & Francis, a division of CRC Press], *“The Adviser’s Guide to Healthcare”* – Vols. I, II & III [2010 – AICPA], and *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books]. His most recent book, entitled *“Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services”* was published by John Wiley & Sons in March 2014.

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