ACP American College of Physicians℠
INTERNAL MEDICINE | *Doctors for Adults*

Eliminate Medicare's Sustainable Growth Rate and Transition to Improved Payment Models for Patients and Physicians

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There is widespread agreement that Medicare's Sustainable Growth Rate (SGR) formula is fatally flawed and should be replaced. The College believes a successor payment framework should create stable and positive updates for all physician services; provide incentives for primary, preventive and coordinated care; accelerate development and testing of new models developed with physicians' input; and establish a transition to the most effective new payment models.

The unworkable SGR formula determines the annual payment updates to physicians for the services they provide under the Medicare and TriCare programs. (TriCare, the health insurance program for military families, uses the same flawed SGR formula as Medicare.) Every year since 2001, the SGR has resulted in annual scheduled payment cuts that jeopardize access to care for our nation's Medicare beneficiaries and military families. The scheduled cuts also act as a barrier to physicians investing in health information systems and in acquiring other practice capabilities to improve the value of care provided to patients. Congress typically enacts short-term "patches" to avert payment reductions. If Congress does not intervene, the estimated SGR cut scheduled for Jan. 1, 2014 is nearly 25 percent. Further exacerbating the problem, physicians are now contending with a 2 percent reduction in payments under Medicare, effective on April 1 of this year, as a result of across-the-board sequestration cuts.

There is bipartisan recognition in Congress that now is the time to replace the SGR. Many believe that this year holds great promise for accomplishing that long sought-after goal. One reason for this is that, in May 2013, the Congressional Budget Office (CBO) lowered its estimate of the cost of repeal to $139 billion, a significant reduction from an earlier estimate of $245 billion in August 2012. And, because Congress must offset the cost of repeal, the obstacle is not nearly as formidable at the present time. As this cost is based, in part, on the cost of physician services, there is no guarantee the price tag for repeal will remain at the current level so it is imperative that Congress act now while the cost is still at a reduced level.

If the SGR is repealed, what should replace it?

As in the 112th Congress, ACP worked with Representatives Allyson Schwartz (D-PA) and Joe Heck (R-NV) again in 2013, culminating in the reintroduction of bipartisan Medicare physician payment reform legislation, the *Medicare Physician Payment Innovation Act of 2013*, H.R. 574, on February 6, 2013. The bill, which is strongly supported by the College, would eliminate the SGR once and for all and transition to better payment and delivery systems that are aligned with value. Specifically, this legislation would repeal the SGR formula, provide more than 5 years of stable physician payments, with positive increases for all physician services, and higher payments for primary care, preventive and care coordination services, and establishes a process for practices to transition to new, more effective, models of care by 2019. This legislation represents a positive step forward in advancing comprehensive SGR reform and ACP has urged the committees of jurisdiction in the House to use H.R. 574 as a basis for physician payment reform legislation currently under development.

In early February, 2013, House Energy and Commerce Chairman Fred Upton (R-MI) joined with House Ways and Means Chairman Dave Camp (R-MI) to circulate a draft framework for a proposal to repeal the SGR. ACP is pleased that the joint committee proposal includes reforms that are similar to those in the Schwartz-Heck legislation. The draft proposal from the committee chairs would provide a period of predictable payment rates for physicians, reform Medicare's fee for service system to reflect the quality and efficiency of care provided, and provide options for physicians to transform their practices into new models of care.

On April 3, the chairmen released a revised draft of their framework that contained additional details. This "second iteration" took into account many of the comments received from stakeholder groups, including ACP, on the initial draft. ACP provided feedback in the form of a letter to this second iteration that can be viewed at: http://www.acponline.org/advocacy/where_we_stand/assets/eliminating_sgr.pdf

On May 7, ACP testified at a House Ways & Means Subcommittee on Health Hearing examining options for repealing the SGR formula and reforming the Medicare physician payment system to reward quality and value. ACP's written testimony, as submitted for the record, can be viewed at:
http://www.acponline.org/acp_policy/testimony/ways_and_means_medicare_physician_payment_testimony_2013.pdf

What are ACP's specific recommendations to reform the SGR, as included in our May 7 testimony?

1) Eliminate the SGR.
2) Establish positive baseline updates, with a higher baseline for evaluation and management (E/M) services, for at least five years.
3) Establish a graduated incentive program for physicians to qualify for higher fee-for-service (FFS) payment updates, above their baseline, for participating in a program to improve outcomes and effectiveness of care, with the amount of the incentive allowance being based on how much the program or programs they are participating in incorporate core elements associated with better outcomes and effectiveness of care.
4) Create a process for the Centers for Medicare & Medicaid Services (CMS) to "deem" private sector programs to qualify physicians for the graduated incentive program, such as those from specialty societies, based on standards to ensure that those programs have the key features needed to advance quality and effectiveness of care.
5) Specifically allow practices that are accredited or recognized as Patient Centered Medical Homes (PCMH) and PCMH-neighborhood (PCMH-N) practices that meet standards for selection to qualify for graduated incentive payments, effective on January 1, 2014. Just as PCMHs consist of a team-based model of care led by a personal physician who provides continuous and coordinated care throughout a patient's lifetime to maximize health outcomes, the PCMH-N recognizes those non-primary care practices that engage in processes that facilitate patient-centeredness, care coordination and integration with the primary care practice, and a culture of quality improvement.

What are ACP members asking Congress to do?

- ✓ Work in a bipartisan fashion to include the following elements in any Medicare physician payment reform proposal: (1) eliminate the SGR, (2) ensure stable and positive payments for all physicians for at least five years, with a higher baseline update for E/M codes without regard to specialty and (3) create multiple pathways and opportunities for physicians who participate in innovative value-based models, including PCMHs and PCMH-Ns, to benefit from graduated incentive payments during the transition to a reformed payment system, starting as early as 2014.
- ✓ Reverse the 2 percent cut to Medicare physician payments under sequestration.
- ✓ House members should cosponsor and pass in the House H.R. 574, *the Medicare Physician Payment Innovation Act of 2013*; Ask Senators to introduce and pass in the Senate companion legislation to H.R. 574.

For more information on ACP's positions, please visit the Advocacy section of ACP Online,
http://www.acponline.org/advocacy/