



## MEDICARE PHYSICIAN PAYMENT AND THE SUSTAINABLE GROWTH RATE

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**ISSUE:** Congress must act now to avoid a drastic 21% cut in Medicare payments to physicians that is scheduled to take effect January 1, 2010. The time is now to reform the broken Sustainable Growth Rate (SGR) system of payment and ensure that Medicare patients have uninterrupted access to healthcare services.

**BACKGROUND:** In 2008, Congress voted to block an impending 10.6% cut in the Medicare payments for physicians, replacing it with a 0.5% update for 2008 and a 1.1% update for 2009. However, January 1, 2010, will bring a severe 21% cut in Medicare reimbursements unless Congress and the Obama Administration act to fix it.

In the health reform debate, reforming the Medicare payment system and addressing SGR debts have been included in the discussion. In the House, the America's Affordable Health Choices Act of 2009, H.R. 3200, removes the debt that has accumulated due to the flawed SGR payment system and establishes a new payment system with two spending targets: one for primary and preventive care, including evaluation and management services, that would be allowed to grow at 2% of GDP; and another target for all other medical services that would be allowed to grow at 1% of GDP. Though still a volume-based payment system, the proposal avoids future accumulated debts by providing a five-year rolling target, with any debt accumulation falling away the sixth year.

In the Senate, the Senate Finance Committee is responsible for Medicare payment policies. The Finance Committee is working behind closed doors in effort to develop a bipartisan health reform plan and has yet to unveil its proposal. The Senate Finance bill likely will not address full Medicare payment reform and may include a physician payment fix similar to previous years in order to avoid the impending cut in 2010.

The Obama Administration supports addressing Medicare physician payment shortfalls by "rebasings" the SGR debt at the 2009 level, thereby avoiding the upcoming 21% cut. The budget also proposes over \$329.6 billion to improve Medicare payments to physicians over the next 10 years. In support of the President's plan, APA joined a letter with over 110 medical associations and advocacy groups to encourage the "rebasings" of Medicare physician payments.

**APA POSITION:** Congress must act immediately to avoid the 21% cut in Medicare physician payment scheduled for January 1, 2010. The APA urges Congress to remove the accumulated debts caused by the flawed Sustainable Growth Rate system and to base Medicare payments on the cost of medical inflation and the Medicare Economic Index.