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Contact: Sean Neary/Meaghan Smith
(202) 224-4515

BAUCUS CALLS FOR OVERHAUL OF FLAWED MEDICARE PAYMENT SYSTEM

Finance Chairman Says Sustainable Growth Rate Must Be Replaced With a System that Delivers Better Value for Patients, Taxpayers

WASHINGTON – In a Senate Finance Committee hearing today, Chairman Max Baucus (D-Mont.) said Medicare’s payment system is seriously flawed and must be overhauled to deliver better value for patients and taxpayers. The Senator reiterated [his call from a hearing in May](#) that Congress repeal the sustainable growth rate (SGR), which continues to threaten seniors’ access to their doctors, and work with the administration to make the underlying payment system more efficient to save taxpayer dollars.

“The formula used to pay doctors for treating Medicare patients is antiquated, inefficient and flawed. Every year, it threatens a deep cut to physician payments that could mean seniors lose access to their doctors. It is time to repeal this broken formula,” Senator Baucus said. **“But we cannot just repeal the SGR. We need to change the entire fee-for-service system that Medicare uses to pay for care. Physicians want to improve their performance and efficiency, and Medicare’s payment policy needs to incentivize that improvement.”**

Jonathan Blum, a top Medicare official, agreed with Senator Baucus and stressed that the administration is committed to working with the Congress to reform the Medicare physician payment system.

“The current physician payment system does not create incentives for physicians to furnish the highest-quality care in an efficient manner. The administration believes that finding better approaches to reward quality care that results in improved health outcomes instead of quantity of services, while not increasing overall costs, remains an urgent priority,” Mr. Blum said in prepared testimony.

The SGR determines annual updates to the payments for individual medical tests and procedures for Medicare patients. But the SGR has dictated drastic reductions in physician payments over the last decade, meaning Congress has had to intervene each year to preserve seniors’ access to health care. Since 2003, Congress has made 15 short-term fixes to the SGR at a cost of nearly \$150 billion. In 2010 alone, it passed six short-term patches.

But the cost of repealing the SGR altogether, rather than passing another short-term fix, has plummeted. The most recent 10-year cost estimate for repeal is \$139 billion, slightly more than half the last cost estimate made a year ago. Senator Baucus said Congress must see that decrease as an opportunity to act and repeal the SGR this year.

Senator Baucus also said Congress and the administration must address the underlying fee-for-service (FFS) system used to pay for individual Medicare treatments. FFS, as currently constructed, does little to promote efficiency, instead rewarding physicians for doing more tests and more procedures.

Thanks to the Affordable Care Act, Medicare is testing new payment models and encouraging providers to focus on efficiency to save taxpayer dollars. The Center for Medicare and Medicaid Innovation and the network of Accountable Care Organizations – one of which is located in Billings, Montana – are pioneering new methods of incentivizing quality, improving coordination among providers and improving primary care.

Senator Baucus and Finance Committee Ranking Member Orrin Hatch (R-Utah) also [sent a letter](#) to the health care provider community in May calling for ideas of how to improve Medicare's payment system. Since then, the senators have received more than 130 responses, including many with concrete, specific plans.

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