

October 30th, 2013

REPEALING AND REPLACING THE SGR

- The Sustainable Growth Rate (SGR) formula is a budget cap passed into law in 1997 to control physician spending, but has failed to work.
- Since 2003, Congress has spent nearly \$150 billion in short term patches. Unless Congress acts by Jan 1st, physician payments will be cut by approximately 24.4 percent in 2014.
- The most recent Congressional Budget Office (CBO) score reduced the 10 year cost of repealing and replacing SGR with a 0% update from \$243.7B to \$139.1B or by 43%. Congress should take advantage of this opportunity.
- Building on bipartisan legislation reported out unanimously by the Energy & Commerce Committee, the leadership of the Senate Finance and Ways & Means Committees has developed a proposal that repeals the SGR and transitions Medicare away from a volume-based system towards one based on value that will improve care and lower costs for Medicare beneficiaries.

The Policy Would:

- ✓ **Repeal the SGR and replace it in a fiscally-responsible manner.**
 - Repealing the SGR is fiscally responsible and a 0% update removes the annual threat of draconian cuts to Medicare providers.
 - High performing providers will receive bonus payments through a new quality program that improves care for seniors.
- ✓ **Improve the existing fee-for-service system by rewarding value over volume and ensuring payment accuracy.**
 - Consolidate three existing quality programs into a budget-neutral, quality performance program that will reward providers who furnish high quality, high value care.
 - Implement a process to ensure accurate payment for individual provider services.
 - Incentivize care coordination efforts for patients with multiple chronic conditions.
 - Introduce physician-developed care guidelines to reduce inappropriate care that harms patients.
- ✓ **Incentivize movement to alternative payment models (APM).**
 - Provide a 5% bonus to providers who receive a significant portion of their revenue from an APM or PCMH.
 - In 2016-2017, APM participants will need to receive at least 25% of their Medicare revenue through an APM, this threshold increases over time. The policy also incentivizes providers to participate in private-payer APMs.
 - APMs include accountable care organizations, medical homes, and bundled payments models.
- ✓ **Expand Medicare data transparency to empower beneficiaries**
 - Post quality, utilization, and transparency data on the Physician Compare website.