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May 14, 2013

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BAUCUS WORKS TO REPEAL BROKEN MEDICARE PAYMENT FORMULA THIS YEAR

Finance Chairman Calls for an End to Costly, Short-Term Fixes to the Sustainable Growth Rate Formula

WASHINGTON – At a Senate Finance Committee hearing today, Chairman Max Baucus (D-Mont.) said Congress must repeal the broken Medicare payment formula this year and find ways to make Medicare’s payment system more efficient. The payment formula, known as the sustainable growth rate (SGR), threatens doctors with a 25 percent reimbursement cut in 2014, which could severely limit seniors’ access to health care.

“Once again, the sustainable growth rate threatens a massive cut to physician payments that could mean many seniors lose access to their doctors. It is time to repeal this broken system once and for all and end the cycle of expensive short-term fixes,” Senator Baucus said. **“We must also change the underlying fee-for-service system Medicare uses to pay physicians, because it promotes volume over value. We need a system that encourages physicians to coordinate care, save money and improve health outcomes in an efficient way.”**

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 Medicare physician payments over the last decade, and 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. Senator Baucus said Congress must end the cycle of short-term fixes and repeal the formula altogether.

Senator Baucus said Congress must also change the underlying fee-for-service (FFS) system Medicare uses to reimburse health care providers. FFS does little to promote efficiency, instead rewarding physicians for doing more tests and more procedures, even when they are unnecessary.

With new, more efficient payment models under development, Senator Baucus said Congress should improve the existing system to encourage doctors to improve care and reduce unnecessary costs. He added that doctors must contribute ideas to control costs in the near term and smooth the eventual transition away from FFS.

Chairman Baucus, along with Ranking Member Orrin Hatch (R-Utah), [sent a letter on Friday](#) to physicians and other providers across the country calling on them to bring ideas to the table on how to improve Medicare’s physician payment system. Last year, Senators Baucus and Hatch convened a series of

roundtables to spark a dialog among members and stakeholders on how to improve the current system and gather ideas for a new, more cost-effective payment system.

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