Permanent Fix to the Sustainable Growth Rate

Summa Health System – one of the largest integrated healthcare delivery systems in Ohio – urges Congress to:

- Support legislation to reform Medicare’s Sustainable Growth Rate (SGR) formula that currently governs Medicare physician payments;
- Create a realistic budget baseline for future Medicare payment updates which accurately reflects the anticipated costs of providing positive physician payment updates; and
- Provide physicians with stability and predictability in Medicare payment so that healthcare systems can plan a more stable physician workforce to serve patient needs.

Sustainable Growth Rate Formula Does not Keep Pace with Costs of Care

For nearly a decade, physicians who care for Medicare patients have faced substantial annual reductions in reimbursement rates as required by the SGR formula. The average primary care physician would likely experience a fifty percent reduction in his or her take home pay if Congress doesn’t revise the physician compensation formula.

Since 2002, Congress has repeatedly overridden these mandated payment cuts through short-term legislative adjustments. In 2010 alone, Congress delayed scheduled cuts to physician payments five times with short-term, stop-gap measures.

On February 15, 2012, Congress once again fashioned a temporary SGR “patch” that would enable physicians to get a ten-month reprieve from a 27 percent cut in Medicare payments that was originally scheduled for March 1.

Any further cuts to Medicare physician payments would be devastating given that the reimbursement level has already fallen 20 percent below the actual costs of caring for seniors. If Congress fails to reform the SGR, the American Medical Association estimates that under current law, Medicare payment rates in 2020 will be just half of what they were in 2001 (after adjusting for inflation):

Congress Must Develop a Permanent Solution to Medicare Physician Payment

In October 2011, the Medicare Payment Advisory Commission (MedPAC) called the SGR formula “fundamentally flawed” and called for its permanent repeal. Unfortunately, recent proposals to permanently fix the Medicare physician payment update – including promising proposals by Rep. Allyson Schwartz and the White House – have failed to generate strong bipartisan interest. Instead, proposals given serious attention in Congress in recent months have called for a two-year fix: yet another stop-gap measure that does not responsibly address physician payment.

Congress must find a permanent and workable solution to the Medicare physician payment system for the well-being of our seniors and the physicians that care for them. We urge Congress to make a serious reform effort in 2012, as temporary patches on the SGR only increase the size of future cuts and raise the cost of permanent reform.