

GNYHA POSITION PAPER

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PHYSICIAN PAYMENTS

Medicare SGR “Doc Fix”

In March 2014, Congress once again passed legislation to protect physicians from a steep Medicare reimbursement cut. The Protecting Access to Medicare Act of 2014 prevented an automatic 24% cut to Medicare physician reimbursement rates through March 2015, and provided a 0.5% Medicare payment increase for physicians through December 31, 2014 (and no increase for the first three months of 2015). Absent Congressional intervention, physicians face another deep Medicare reimbursement cut on April 1, 2015.

GNYHA is deeply concerned that this almost yearly Congressional ritual of temporarily fixing the Medicare physician payment system, and finding ways to pay for the fix, will ultimately result in severe funding cuts to hospitals.

GNYHA strongly supports permanently revising the Medicare physician payment formula, known as the Sustainable Growth Rate (SGR), to a more appropriate system that is not based on spending targets and would instead reflect practice cost increases. Absent such reform, Medicare patients’ access to care could be severely compromised, particularly as baby boomers enter the Medicare program and newly insured individuals start accessing health care services. These developments, coupled with a loom-

ing physician shortage, all but guarantee a physician access crisis.

SGR Background

The SGR formula is based on the Medicare Economic Index, which is intended to reflect the relative cost inflation associated with practicing medicine. The resulting annual update is then adjusted based on a national spending target—the SGR—which Congress created in 1997 as a target for physician service costs to the Medicare program. The SGR is determined through a complex formula based on gross domestic product, Medicare enrollment, price changes, Medicare benefits, and other changes in law. If actual spending from a previous year exceeds the SGR target, then payment updates are adjusted downwards to counterbalance the extra expenditures. The formula has produced negative payment updates—or cuts—for physicians every year since 2003, and every year Congress has passed legislation blocking the Medicare physician payment reductions.

Cost of SGR Reform

The Congressional Budget Office’s (CBO) most recent estimate of the 10-year cost of SGR relief was \$119 billion—significantly lower than previous CBO projections. Given the size of these 10-year esti-



GNYHA is a dynamic, constantly evolving center for health care advocacy and expertise, but our core mission—helping hospitals deliver the finest patient care in the most cost-effective way—never changes.

mates, many in Congress believe physician relief legislation should be offset to avoid adding to the Federal deficit. Regardless of how Congress chooses to pay for the cost of SGR relief, GNYHA is adamant that hospitals not see their payments reduced to increase payments to physicians.

Enhanced Medicaid Reimbursement Rates for Primary Care Services

The Affordable Care Act (ACA) included a provision often referred to as the Medicaid Primary Care Pay Parity Program, which increased Medicaid physician payment rates for certain primary care services to at least the level of Medicare payment rates in 2013 and 2014. The enhanced payment rates were intended to induce more physicians to participate in Medicaid. The program provided higher payments to physicians who practice family medicine, general internal medicine, or pediatric medicine. The differ-

ence between the previous Medicaid rate and the enhanced rate was funded 100% by the Federal government, at no cost to the states.

Because the ACA only authorized the Medicaid Primary Care Pay Parity Program through December 31, 2014, Congress must enact legislation to extend it. If Congress does not extend the program, states have the option, of continuing to pay for primary care services at the higher Medicare rates, but normal Medicaid matching rates would apply. The President's budget proposal for FY 2015 estimates that extending the rate increase for one year, with the Federal government continuing to pick up 100% of the cost, would cost between \$5-6 billion. In the just-completed 113th Congress, Senators Brown (D-OH) and Murray (D-WA) introduced the Ensuring Access to Primary Care for Women & Children Act, which would extend the program through 2016.

GNYHA Position: GNYHA supports legislative proposals that permanently reform the Medicare physician payment system and the reauthorization of the Medicaid Primary Care Pay Parity Program, but they must not be paid for by further cuts to hospitals.