

SGR UPDATE

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What is SGR

- ▣ Medicare Sustainable Growth Rate
 - Enacted by Balanced Budget Act of 1997
 - Designed to make sure medical inflation matches GDP
 - In late 90's, actually resulted in increase in fee schedule
 - In 2002, due to recession (decreased GDP) and increase in medical costs, 4.8% cut was scheduled



Temporary Fixes

- ▣ Congress has passed 17 “patches” over the past 13 years
 - Prevents cut in fee schedule
 - Latest patch expired April 1st
 - 21.2% cut went into effect
 - Payments withheld for 2 weeks.
- ▣ \$153.7 billion (cost of the 17 patches)



Permanent SGR Repeal (2014)

- ▣ SGR Repeal and Medicare Provider Payment Modernization Act of 2014 (H.R. 4015; 113th Congress)
- ▣ Bi-partisan, bi-cameral SGR permanent fix
- ▣ Congressional Budget Office scored cost at approximately \$138 billion
- ▣ Failed because of “pay for”.



Permanent SGR Repeal (2015)

- ▣ H.R. 2
 - Medicare Access and CHIP Reauthorization Act of 2015
 - Passed in House 392-37 on March 26, 2015
 - Passed by Senate 92-8 on April 14th 2015
 - Signed by President Obama on April 16th 2015



Permanent SGR Repeal (2015)

- ▣ Hundreds of thousands of hours and visits to members of Congress by thousands of healthcare professionals, including – in one month alone (February 2015)
 - More than 50 different in-person multispecialty meetings on Capitol Hill More than 780 emails to members of Congress through the AAOS Legislative Action Center
 - Outreach to more than 134,000 unique individuals through social media (Twitter)
 - More than 900,000 Twitter posting views

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Path to H.R. 2

- ▣ Bi-Partisan bill
- ▣ Deal struck between John Boehner (R) and Nancy Pelosi (D)



Path to H.R. 2



HR 2, The Medicare and
Children's Health Insurance
Program (CHIP) Reauthorization
Act (MACRA)

What Does MACRA Do?

- ▣ Repeal the SGR, provide a 0.5% payment increase each year through 2020, and leave the current payment system otherwise untouched for 4 years.
- ▣ Extends Children's Health Insurance Program (CHIP) by two years
- ▣ Merit-Based Incentive Payment System (MIPS) will consolidate the Physician Quality Reporting System (PQRS), Value-Based Modifier, and "meaningful use" program for electronic health records (EHRs) (2018)

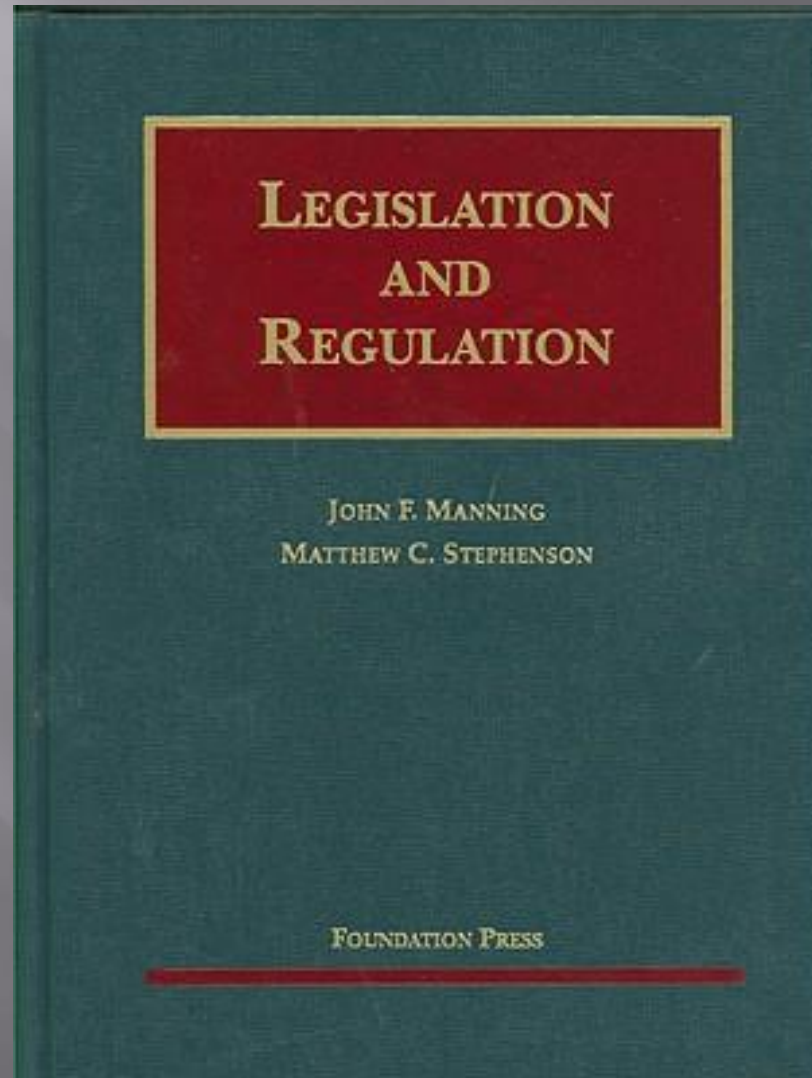
MACRA (cont.)

- ❑ Encourages physician-led payment reforms such as bundled payments, ACO's and other innovative payment and delivery models while maintaining the option of fee-for-service
- ❑ Physicians who receive a significant percentage of Medicare revenue from an alternative payment model will receive a 5% bonus starting in 2018.
- ❑ Providers who participate in an alternative payment model will be exempt from the new Merit-Based Incentive Payment System.

MACRA (cont.)

- ▣ Allows Physician/stakeholder input in measure development
- ▣ Allows for qualified entities to have access to Medicare claims data
- ▣ Includes standard of care protection against medical liability claims
- ▣ Reverses CMS' policy to turn all 10-day and 90-day globals into 0-day globals
- ▣ Require that electronic health records be interoperable by 2017.

10% Legislation, 90% Regulation?



SGR Pay For

- Approximately \$70 B of the \$213B cost is offset
- Increasing premiums for high-income Medicare beneficiaries (above \$133K)
- Limiting first dollar coverage on certain Medigap plans from covering the Part B deductible
- Just over 10 million people in Medicare Part B and Part D would be affected by higher premiums by 2015.



Not All Good News

- ▣ 0.5% increase from 2015 to 2020 then 0% from 2020 until 2026 – doesn't keep up with inflation.
- ▣ Pay-for-performance program will put 4% of physician income at risk for not meeting as-yet-undefined performance metrics, eventually rising to 9%.
- ▣ Participation in the much-maligned ABMS maintenance of certification program is essentially obligatory.

Long Term Patch?

But according to Paul Spitalnic, Chief Actuary for CMS, the new law is a short-term fix. "While [the new law] avoids the significant short-range physician payment issues resulting from the current SGR system approach, it nevertheless raises important long-range concerns that would almost certainly need to be addressed by future legislation."

"It is much more likely that the House doc fix will be a shorter term patch requiring another series of patchwork legislation just nine years from now," Paul Winfree, the director of the Heritage Foundation's economic policy center, wrote in a blog Friday.

Goodbye SGR, Hello MACRA!



The End