

Senate Passes SGR Bill 92-8, Narrowly Avoiding 21% Pay Cut To Physicians

After passing 17 physician payment patches over more than a decade, the Senate recently voted 92-8 to send a House deal replacing the embattled Medicare Sustainable Growth Rate (SGR) formula to the president, just in time to avert a 21 percent Medicare payment cut to physician services. The bill, which the Senate passed without changes, also makes permanent the Qualifying Individual program that assists low-income seniors pay their premiums; and the Transitional Medical Assistance program that helps families on Medicaid maintain coverage for one year as they transition from welfare to work. It also extends funding for the Children's Health Insurance Program for two years, despite a press by key Senate Democrats for a four-year extension. Other so-called Medicare pay extenders, including an exception to caps on therapy services, are continued for two years.

The SGR bill is about one-third offset and the Congressional Budget Office reported that the bill will add \$141 billion to the deficit over the first 10 years. Although the SGR bill piles on the debt, many members of both parties said the legislation is significant because it is part of efforts to move

away from fee-for-service reimbursement. The SGR repeal policy, would provide a 0.5 percent payment increase each year for five years, consolidate three existing quality programs into one quality incentive program and transition reimbursement away from the existing fee-for-service to a value-based model. The current conversion factor of \$35.75 remains in place through June 30th. The 0.5% annual update begins July 1, 2015.

Senate Majority Leader Mitch McConnell (R-KY) said that although the reforms by themselves don't fix Medicare's problems, they're a down payment on Medicare reform. Hours before the vote, he touted a measure in the bill that charges wealthier seniors higher premiums for Medicare Part B and Part D.

The bill also limits first dollar coverage in Medigap, which many believe is an important structural reform. Advocates for seniors opposed both measures because they cost beneficiaries. Many seniors advocates also say claims that Medigap first-dollar coverage leads to overuse of services are unsupported.