House Leadership's SGR Deal May Only Pay For Cost Of Bill Above Pay Freeze

Although congressional leaders' sustainable growth rate (SGR) replacement negotiations are fluid, lobbyists believe lawmakers plan to pay for only the amount above the cost of freezing physician pay, which would forgo paying what the Congressional Budget Office recently estimated to be $141.9 billion.

Last year, both parties in both chambers agreed on a pay system to replace Medicare's SGR, but they couldn't agree on how to pay for it. That bill would cost more than $170 billion, without other so-called extenders and a funding extension for the Children's Health Insurance Program, both of which are being considered for inclusion in the SGR bill.

The Congressional Budget Office (CBO) recently released a score of the president's budget that places the 10-year cost of freezing physician pay at $141.9 billion, up slightly from CBO's last estimate of $137 billion.

In the jargon of policymakers, congressional leaders are considering building the cost of a pay freeze into the budget baseline, which means they wouldn't pay for it. However, the SGR bill has additional costs for such items as an increase in physician pay. The plan is for lawmakers to pay for that amount, which is in the neighborhood of $40 billion.

The latest legislative outline gives additional and important details of the deal, which replaces the SGR formula that sets physician pay, extends the Children's Health Insurance Program and other Medicare "extenders" for two years, makes two Medicare extender programs permanent. The some $213 billion bill is partially paid for by charging wealthier seniors higher premiums for Medicare Part B and Part D, limiting first-dollar coverage in Medigap, levying a tax on delinquent Medicare service providers and cutting pay to hospitals and post-acute care providers. The earlier summary stated that $70 billion of the $213 billion bill would be paid for and that half of the offsets would come from provider cuts, and the other half would come from the policy changes that mostly affect beneficiaries. Republican leaders have agreed to leave $140 plus billion unpaid for.

House Democrats are sticking to the two-year funding extension of the Children's Health Insurance Program, despite opposition from Senate Democrats. Typically House and Senate lawmakers work out such small differences during a conference following passage of legislation in each chamber, but lobbyists hope the Senate will pass the House version without changes to get the deal done before March 31 when the current SGR patch expires. If Congress must patch the physician pay, even for a matter of weeks, it could drag out what have otherwise been fast-moving negotiations to replace SGR after some 12 years of lawmakers overriding it and talking about physician payment fixes that never materialize.