

# SUSTAINABLE GROWTH RATE

- The Sustainable Growth Rate (SGR) sets Medicare physician payments.
- If Medicare spending exceeds the target set by the SGR, the formula calls for automatic reductions in physician payments.
- If SGR is left unchanged, Medicare payments to physicians would drop by more than 26% in January 2014.
- ASN strongly supports a more stable payment system that reflects the value of physician.

## What is the SGR?

Implemented by Congress in 1997, the SGR attempts to control Medicare spending on physician fees by tying reimbursement to economic growth. If Medicare expenditures exceed the target set by the SGR, the formula calls for automatic reductions in physician payments.

## Why is Congress acting now?

The estimated price of fixing this flawed payment formula has come down. The Congressional Budget Office significantly lowered its estimate of permanently repealing the SGR—from \$245 billion to \$138 billion. Thus Congress has developed several new proposals to replace the SGR.

## What is Congress proposing as a replacement for SGR?

### The House of Representatives

- 1 The U.S. House of Representatives' Energy and Commerce Committee developed a three-phased proposal:
  - Phase 1: Repeal SGR and provide predictable payment rates
  - Phase 2: Reform Medicare's fee-for-service (FFS) payment system to reflect the quality of care physicians provide
  - Phase 3: Further reform Medicare's FFS payment system to account for the efficiency of care physicians provide, and solicit input on the changes from physicians

Physicians who are participating in an alternate payment model (such as an Accountable Care Organization) may opt-out of the modified FFS program.

- 2 The Medicare Physician Payment Innovation Act of 2013 (H.R. 574) is a bipartisan piece of legislation introduced by Rep. Joe Heck (R-NV) and Rep. Allyson Schwarz (D-PA). This bill attempts to permanently repeal the SGR, while aggressively testing and evaluating new payment models to ensure long-term stability for physicians participating in Medicare.

### The Senate

Although offering fewer specifics regarding a possible replacement plan, the Senate has stated physician services should be appropriately valued and that incentive payments would likely help reduce growth in Medicare spending.

Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Orrin Hatch (R-UT) released a joint statement outlining goals similar to the House initiatives. Baucus and Hatch stand in agreement that repealing SGR is a top priority for their Committee.

## What will ASN do to help Congress craft a better payment system?

ASN will closely monitor the House bill and Senate interest in reforming SGR and continue to update members of the kidney community. ASN is collaborating with other leading professional societies to advocate for repeal and replacement of SGR.

## What will ASN do to help its members keep current with proposed changes in physician payment policies?

ASN will closely monitor legislative developments related to changes in the SGR and physician payment policies. ASN will communicate these developments and notify members when to contact their Congressional representatives to support a predictable, stable payment system.

