



## The Sustainable Growth Rate (SGR): Just the facts

- In 2002, the Medicare conversion factor was reduced by 5 percent due to the SGR. From 2003 through 2013, Congress enacted 15 separate laws to prevent additional SGR-driven pay cuts.
- From 2001 to 2013, the average annual Medicare physician payment update has been just 0.29 percent—barely above a freeze.
- The Congressional Budget Office (CBO) cost estimate for replacing the 2007 SGR cut with a freeze was \$3 billion (over 10 years). The CBO score for preventing the 2013 SGR cut was \$25 billion (over 10 years).
- In 2007, the SGR would have cut Medicare physician payment rates by 5 percent. By 2013, the size of the cut had grown to 26.5 percent. With the additional two percent cut in 2013 required by the Budget Control Act of 2011, the cut approached 30 percent.
- Congress should take advantage of the new, significantly reduced CBO cost estimate of \$138 billion to prevent SGR cuts for 10 years and act immediately to repeal the SGR formula.
- According to the Medicare Payment Advisory Commission, Congress will never have a better opportunity to eliminate the formula than it does right now. The Commission believes SGR repeal is an urgent matter.
- Although it would cost \$138 billion to eliminate the SGR, total federal outlays for Medicare physician services in 2011 were \$67 billion. This means that the cost of SGR repeal is equivalent to two years of total federal spending on Medicare physician services.
- The combined cost of the 15 bills that Congress has already enacted that temporarily stopped SGR cuts for periods of from one month to two years was \$146 billion. Instead of investing these funds in real physician payment reform, however, these temporary patches have left the same failed formula in place.
- Although Medicare physician payment rates have barely moved since 2001, the government's measure of inflation in medical practice costs has risen 25 percent. From 2001 to 2012, average inflation-adjusted Medicare payment rates fell by 17 percent.