

AMA CALLS ON CONGRESSIONAL DEFICIT COMMITTEE TO REPEAL SGR

Action needed now to stabilize Medicare, save taxpayers' money

WASHINGTON – The message to Congress is loud and clear: The time for repeal of the broken Medicare physician payment formula is now. The nation's largest physician organization was joined this week by all state and many specialty medical societies across the country in [sending](http://www.ama-assn.org/resources/doc/washington/sgr-repeal-sign-on-letter-hensarling-20sept2011.pdf) (<http://www.ama-assn.org/resources/doc/washington/sgr-repeal-sign-on-letter-hensarling-20sept2011.pdf>) a [letter](http://www.ama-assn.org/resources/doc/washington/sgr-repeal-sign-on-letter-murray-20sept2011.pdf) (<http://www.ama-assn.org/resources/doc/washington/sgr-repeal-sign-on-letter-murray-20sept2011.pdf>) to the members of the Joint Congressional Committee on Deficit Reduction to ask them to repeal this failed formula, known as the sustainable growth rate (SGR).

“There is wide bipartisan agreement that the Medicare physician payment system is broken, and we know that continued reliance on recent policies will increase the cost of fixing the problem. With a nearly 30 percent cut looming for physician payments, the fiscally responsible action for the congressional deficit committee is to repeal the Medicare physician payment formula now,” said AMA President Peter W. Carmel, M.D. “The committee's deadline comes just before a 30 percent cut is scheduled to occur on January 1, providing a critical opportunity to stabilize the Medicare system and protect seniors' access to health care.”

Current System Threatens Access to Care

There is bi-partisan agreement that a 30 percent cut in payments to those who care for Medicare patients would be devastating to seniors' access to health care. According to a 2010 [AMA survey](http://www.ama-assn.org/resources/doc/washington/medicare-survey-results-0510.pdf), (<http://www.ama-assn.org/resources/doc/washington/medicare-survey-results-0510.pdf>) about one in five physicians overall, and nearly one-third of primary care physicians, say they are already being forced to limit the number of Medicare patients in their practice due to the ongoing threat of cuts and inadequate Medicare rates.

Medicare payment updates since 2001 have not kept up with the cost of running a medical practice, leaving a 20 percent [gap](http://www.ama-assn.org/resources/doc/washington/nac-gap-chart.pdf) (<http://www.ama-assn.org/resources/doc/washington/nac-gap-chart.pdf>) between reimbursement rates and practice expenses. Further cuts compromise physicians' ability to retain staff, care for Medicare patients and make investments in their practices so they can participate in new care delivery models.

Action Needed to Stop Cost Increase

The cost to taxpayers for permanent repeal of the Medicare physician payment formula, which has strong support on both sides of the aisle, has [grown dramatically](http://www.ama-assn.org/resources/doc/washington/escalating-costs-of-reform.pdf) (<http://www.ama-assn.org/resources/doc/washington/escalating-costs-of-reform.pdf>) over the years due to Congress' frequent short-term fixes. As recently as 2005 the cost of permanent repeal would have been \$48 billion. Today it is estimated to be nearly \$300 billion. If Congress continues to implement the same temporary fixes they have in the past, the cost will [escalate](http://www.ama-assn.org/resources/doc/washington/sgr-reform-delay-means-higher-costs.pdf) (<http://www.ama-assn.org/resources/doc/washington/sgr-reform-delay-means-higher-costs.pdf>) to \$600 billion in only five years.

“An honest accounting of our nation's debt should not assume a \$300 billion cut in Medicare physician payments, which Congress has repeatedly rejected because of the devastating impact it would have on patients’ access to care,” said Dr. Carmel. “Each time short-term fixes are put in place the long-term cost to taxpayers increases. Repealing the formula now helps ensure access to care for patients and saves taxpayers’ money. Bipartisan [plans](http://www.ama-assn.org/resources/doc/washington/sgr-budget-proposal-quotes.pdf) (<http://www.ama-assn.org/resources/doc/washington/sgr-budget-proposal-quotes.pdf>), including those from the Simpson-Bowles Commission and the U.S. Senate’s ‘Gang of Six’, show it is possible to repeal the Medicare physician payment formula while reducing the federal deficit by approximately \$4 trillion.”

Three-Step Solution

Repeal of the sustainable growth rate formula is the critical first step of a [three-step solution](http://www.ama-assn.org/resources/doc/washington/the-need-to-move-beyond-sgr-testimony.pdf) (<http://www.ama-assn.org/resources/doc/washington/the-need-to-move-beyond-sgr-testimony.pdf>) to fixing the broken Medicare physician payment system. This process will provide stability and protect access to care for patients while testing new delivery and payment models to move Medicare forward.

“Congress should begin by repealing the failed Medicare physician payment formula and implementing a five-year period of stable Medicare physician payments,” said Dr. Carmel. “During this time a variety of new payment models designed to enhance care coordination and quality while reducing costs can be tested and would form the basis for a new Medicare physician payment system.”

Resources on the Medicare Physician Payment System

Letters from the AMA and state and medical specialty societies to the Co-Chairs of the Joint Congressional Committee on Deficit Reduction:

<http://www.ama-assn.org/resources/doc/washington/sgr-repeal-sign-on-letter-hensarling-20sept2011.pdf>

<http://www.ama-assn.org/resources/doc/washington/sgr-repeal-sign-on-letter-murray-20sept2011.pdf>

A chart showing the gap between Medicare payments and the cost of caring for patients:

<http://www.ama-assn.org/resources/doc/washington/nac-gap-chart.pdf>

A list of deficit reduction proposals that include repeal of the SGR: <http://www.ama-assn.org/resources/doc/washington/sgr-budget-proposal-quotes.pdf>

A chart showing the growing cost over time of repealing the SGR due to frequent short-term fixes:

<http://www.ama-assn.org/resources/doc/washington/escalating-costs-of-reform.pdf>

A chart of the cost increase in the future for repeal of the SGR formula: <http://www.ama-assn.org/resources/doc/washington/sgr-reform-delay-means-higher-costs.pdf>

The AMA's statement to the House Energy and Commerce Subcommittee on Health on a three-step solution to fix the Medicare physician payment system: <http://www.ama-assn.org/resources/doc/washington/the-need-to-move-beyond-sgr-testimony.pdf>

Results of AMA's 2010 Survey of Physicians' Opinions on Medicare: <http://www.ama-assn.org/resources/doc/washington/medicare-survey-results-0510.pdf>

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