

Overview of SGR Repeal and Reform Proposal

Physician organizations have long-sought repeal of the Sustainable Growth Rate (SGR) formula. The Congressional Budget Office (CBO) estimates that repealing the SGR and freezing payments at their current level for the next 10 years would increase spending by approximately \$138 billion. Such an investment in funds needs to be accompanied by fiscally responsible fundamental reform of the Medicare fee-for-service (FFS) payment system. We are committed to developing such a reform proposal.

REFORM DEVELOPMENT PROCESS AND PRINCIPLES

- Numerous sources of valuable input were considered, including:
 - Staff meetings with physicians, physician organizations and other stakeholders;
 - A series of Health Subcommittee hearings in Ways and Means and Energy and Commerce on reforming the Medicare physician payment system;
 - Responses from over 70 physician organizations to a Ways and Means Committee Republican member letter asking for guidance on incorporating quality and efficiency into the Medicare payment system; and
 - Responses from a similar number of physician organizations to an Energy and Commerce bipartisan member letter requesting how to address the SGR situation.

- Reform must:
 - Not increase the deficit;
 - Involve the physician community and other stakeholders;
 - Foster clinically meaningful (not government determined) care for patients;
 - Encourage achievable improvements in quality, efficiency, and patient outcomes based on physician-endorsed measures;
 - Be applicable to all specialties, practice arrangements, and geographic locations;
 - Reward the value rather than the volume of services;
 - Motivate all stakeholders to adopt reforms; and
 - Strengthen Medicare for seniors.

BRINGING MEDICARE REIMBURSEMENTS INTO THE 21ST CENTURY

- This proposal, modeled after reimbursement systems that are employed widely in the private sector, improves upon Medicare's outdated system by:
 - Fully repealing the SGR and eliminating the estimated 25 percent across-the-board rate cut in 2014 and any future rate cuts called for under the SGR;
 - Establishing a period of predictable, statutorily-defined payment rates, enabling physicians to prepare for and participate in payment reform;
 - Empowering physicians to determine the quality and efficiency measures that are clinically meaningful for Medicare beneficiaries;
 - Rewarding physicians who deliver high-quality and efficient care rather than continuing the current system that encourages volume and unnecessary spending;
 - Requiring the Centers for Medicare & Medicaid Services (CMS) to provide timely feedback and data to physicians, enabling physicians to make adjustments to improve patient care and their assessed performance;
 - Providing reimbursement options – instead of the current one-size fits all approach – that enable physicians to select the Medicare payment system that best fits their practice; and
 - Engaging the physician community in efforts to improve, reform, and update Medicare's outdated physician reimbursement system.

MAJOR ELEMENTS OF REFORM PROPOSAL

- PHASE 1: Repeal SGR and provide a period of predictable, statutorily-defined payment rates.
 - While the duration and size of the payment rates to be set in statute are not yet determined, this phase will provide physicians time to transition to, and play a prominent role in, reforming the Medicare FFS physician payment system.

- PHASE 2: Reform Medicare's FFS payment system to better reflect the quality of care provided.
 - Reform is needed to maintain a viable FFS system and an emphasis on value mirrors many private payer efforts.
 - After the period of stability, physician fee schedule payment updates will be based on performance on meaningful, physician-endorsed measures of care quality and participation in clinical improvement activities (e.g., reporting clinical data to a registry or employing shared-decision making tools).
 - Medical specialty societies will develop meaningful quality measures and clinical improvement activities using a standard process.
 - Performance will be based on both risk-adjusted relative rankings amongst physician specialty peer groups and improvement on quality over time.
 - Physicians will be provided with timely access to their quality performance score as well as with an appeals process to ensure accuracy.
 - This proposal will reduce the reporting burden on physician practices, override the current ineffective CMS quality measurement programs, and align Medicare payment initiatives with private payer initiatives.
 - Physicians who are participating in certain alternative reimbursement models under Medicare may opt out of this modified FFS payment system.

- PHASE 3: Further reform Medicare's FFS payment system to also account for the efficiency of care provided.
 - After several years of risk-adjusted quality-based payments, physicians who perform well on quality measurement will be afforded the opportunity to earn additional payments based on the efficiency of care.
 - Physicians will be provided with timely access to their efficiency performance score as well as with an appeals process to ensure accuracy.
 - This proposal will reduce the reporting burden on physician practices and align Medicare payment initiatives with private payer initiatives.
 - Physicians who are participating in alternative reimbursement models under Medicare may opt out of this modified FFS payment system.

- *ASSESSMENT OF MEDICARE PHYSICIAN PAYMENT OPTIONS: Providing information for further improvements.*
 - An assessment of the reformed FFS payment system and alternative Medicare and private sector delivery models will help to ensure that physicians can select from payment system options.
 - The Department of Health and Human Services will provide an annual report to Congress on the reformed FFS payment system and alternative model options that include recommendations, as appropriate.
 - Congress will solicit recommendations from physician societies and other relevant stakeholders on how to further reform and improve the Medicare physician payment system.

- *OTHER ISSUES FOR CONSIDERATION: Developing complementary reforms to improve the practice environment*
 - Medical liability reform.
 - IPAB repeal.
 - Private contracting/balance billing in Medicare without penalty to providers or patients to ensure patient choice and access.
 - Gainsharing for improvements in quality and efficiency across defined patient populations.