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 $245 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 physician organizations and other stakeholders;
  - A series of Health Subcommittee hearings on reforming SGR; and
  - Responses from over 70 physician organizations to a Committee Republican member letter asking for guidance on incorporating quality and efficiency into the Medicare payment system.

- 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;
  - Encourage quality and efficiency over volume; and
  - Motivate all stakeholders to adopt reforms.

BRINGING MEDICARE REIMBURSEMENTS INTO THE 21ST CENTURY

- This proposal is modeled after reimbursement systems that are common in the private sector, improving upon Medicare's outdated system by:
  - Fully repealing the SGR, eliminating the 26.5 percent across-the-board cut in 2014 and any future cuts called for under SGR and establishing a period of stable updates, enabling physicians to prepare for and participate in payment changes;
  - 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 maximize their incentive payments;
  - 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 reimbursement systems.

MAJOR ELEMENTS OF REFORM PROPOSAL

- *PHASE 1: Repeal SGR and provide a period of stable payment rates.*
  - While the number of years that payment updates (and the update amounts) that will be set in statute are not yet determined, the period of stable updates provides physicians time to transition to, and play a prominent role in, reforming the Medicare 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 would 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 would develop meaningful quality measures and clinical improvement activities using a standard process.
  - Performance is based on both 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 would 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 quality-based payments, physicians who perform well on quality measurement would be afforded the opportunity to earn additional payments based on the efficiency of care they deliver.
  - Physicians will be provided with timely access to their efficiency performance score as well as with an appeals process to ensure accuracy.
  - This proposal would 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.

- *BEYOND PHASE 3: Provide information for Congress to further modify the payment system.*
    - An assessment of the reformed FFS payment system and Medicare and private alternative delivery model tests will help to ensure that physicians can select from payment system options.
    - The Department of Health and Human Services would provide an annual report to Congress on the reformed FFS payment system and alternative model options that include recommendations, as appropriate.
    - Congress would 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 complimentary reforms to improve the practice environment*
    - Medical liability reform.
    - 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.