SGR Repeal Shaping Up – Therapy Cap Changes Uncertain as March 31 Deadline Looms
A bipartisan measure to repeal Medicare's sustainable growth rate (SGR) formula for physician pay is shaping up in the House to avert a 21% rate cut scheduled for April 1 and end years of periodic extensions and waivers.

The last-minute legislation that House Speaker John Boehner (R-OH) and House Minority Leader Nancy Pelosi (D-CA) are crafting also would give physicians a modest Medicare raise and extend funding for the Children’s Health Insurance Program (CHIP) for two more years. CHIP will run out of money after September 30 unless Congress takes action.

All these provisions, still in flux, come with a sticker price of roughly $220 billion — about $137 billion for SGR repeal, $40 billion for CHIP, and another $40 billion for Medicare pay raises for physicians as well as extensions of lesser Medicaid and Medicare policies such as reimbursement for the likes of ambulance services in rural areas and Medicare beneficiaries receiving physical therapy.

Past efforts to kill off the SGR formula have floundered because lawmakers, hawkish about budget deficits, couldn't agree on how to pay for the enormous cost. This time around, however, that high hurdle may get a lot shorter. Republicans and Democrats appear resigned to forgetting about an offset for SGR repeal, and scrape up money just for the remaining $80 billion or so in the legislative package. Those offsets could take the form of lower reimbursement to hospitals and greater cost-sharing for wealthier Medicare recipients (i.e., means testing).

The inclination to dispense with an offset for SGR repeal reflects the curious history of this cost-control mechanism. Enacted by Congress in 1997, the formula sets a target for annual fee-for-service spending by Medicare on physician services based partly on changes in the gross domestic product. If spending comes under that target in a given year, therapists and physicians receive a commensurate raise the next year. However, if Medicare spending exceeds the target, physicians and therapists are supposed to take a pay cut. Since 2003, Congress has voted 17 times to postpone scheduled cuts, which have accumulated over time like credit-card debt, creating the 21% guillotine that providers fear next April.

Die-hard conservative Republicans may oppose the repeal bill because it represents deficit spending, but House Democrats following Pelosi's lead will give Boehner enough votes for passage.

The SGR repeal now under construction reprises a bipartisan bill last year that would have shifted Medicare compensation from fee-for-service to pay-for-performance as well as bumped up rates 0.5% each year from 2014 through 2018. The bill, called the SGR Repeal and Medicare Provider Payment Modernization Act, also would have combined three incentive programs, including the one for meaningful use of electronic health record systems, in response to physician demands for more simplicity.

Democrats and Republicans alike loved the bill, as did organized medicine, but the bipartisanship broke down when it came to finding pay-for's. The Republican-controlled House passed the bill, but offset its $180 billion cost with a five-year postponement of the mandate in the Affordable Care Act (ACA) for individuals to obtain health insurance coverage. That amendment made the bill a nonstarter in the Senate, then controlled by Democrats.
Faced with a Medicare pay cut of nearly 24% on April 1, 2014, Congress then enacted a one-year delay, or "patch" in SGR vernacular. In a move seen as placating physicians angered by the failure to repeal the SGR formula, lawmakers also delayed the implementation of the much-criticized ICD-10 diagnostic codes from October 1, 2014, to a year later.

If the House does repeal the SGR formula, will the Senate follow suit, now that it has come under Republican control in the general election last fall? Yes, says Sen. Orrin Hatch (R-UT), chair of the powerful Senate Finance Committee. "I'd do it no matter what it takes," according to *The Hill.* "

The Senate also faces a time crunch, given that the April Fool's Day reduction in Medicare rates is drawing nigh. The House is not in session next week, and won't take up legislative business until March 24. The Senate will have only a week or so to consider anything the House passes. Overcoming any filibuster attempts could eat up precious time. This is not going to be easy. (Source: Medscape Medical News, 3/13/15)