Medicare Physician Payment Reform

NASS applauds the recent passage of legislation repealing the flawed Medicare physician payment system, known as the sustainable growth rate (SGR) formula. Since 2003, Congress has passed short-term legislative fixes to the ever-increasing cuts to physician reimbursement called for by the SGR. Most recently, physician payment would have been reduced by more than 21% in April.

Fortunately, Congress built on the momentum generated by last year’s bipartisan legislation and passed a full, final repeal of the SGR known as the “Medicare Access and Children’s Health Insurance Program (CHIP) Reauthorization Act of 2015” (P.L. 114-10). The bill was signed into law on April 16, 2015 and includes the following key provisions:

- The SGR is permanently repealed, effective immediately.
- Positive, if modest, payment updates of 0.5% are provided from 2015 to 2019.
- Freezes updates from 2020-25, although physicians have the opportunity to receive additional payments through the Merit-Based Incentive Payment System (MIPS).
- Starting in 2026, physicians who receive a significant share of revenues from an alternative payment model (APM) that involves financial risk and quality measurement would receive annual updates of 0.75%, while all other physicians would receive annual updates of 0.25%.
- Physician participation in APMs is entirely voluntary. The fee-for-service (FFS) payment model is retained, giving physicians the choice to participate in models most meaningful to their practice. Those who choose to remain in FFS in 2026 and beyond will still receive a positive base payment.
- Current quality programs are consolidated and streamlined under the MIPS. Starting in 2019, physicians can receive additional payment adjustments for higher quality, more efficient care under MIPS, and the aggregate financial risk to practices from penalties is mitigated in comparison to current law.
- Technical support is provided for smaller practices to help them participate in APMs and MIPS.
- Prevents CMS from eliminating the 10- and 90-day global surgery payments.
- Delays two-midnight rule and allows CMS to continue use the “probe and educate” program to assess provider understanding and compliance through September 30, 2015.
- Extends the CHIP and a number of other expiring provisions related to Medicare, Medicaid, and certain grant programs for an additional two years.

OFFSETS. The package is not fully paid for, with policy changes governing Medicare beneficiaries and providers paying for only about $70 billion of the approximately $210 billion package. The Congressional Budget Office has estimated that the bill would add $141 billion to the federal deficit. Post-acute providers, such as long-term care and inpatient rehabilitation hospitals, skilled nursing facilities and home health and hospice organizations, would help to partially finance the repeal, receiving base pay increases of 1% in 2018, about half of what was previously expected. Scheduled reductions in Medicaid “disproportionate share” payments to hospitals would be delayed by one year to fiscal 2018, but extended for an additional year to fiscal 2025. Also, starting in 2018, Medicare beneficiaries with incomes above $133,500 would pay more for their Medicare coverage, a provision expected to impact 2% of beneficiaries.

WHAT’S NEXT? Many critical details related to these new payment policies will have to be determined through rulemaking and other direct stakeholder engagement. NASS will engage in proactive advocacy to ensure that the Congressional intent of these policies is preserved throughout this process.

Overall, NASS is pleased with the final legislation and the legislative process leading up to enactment. Congressional Committee staff continuously consulted the medical profession and took its input seriously. This marks the first time both parties and chambers have come to agreement on the underlying SGR replacement policy and its financing.