



Congress Developing Permanent Fix to Medicare Reimbursement Rates - Impact on WC

On October 31st House Ways and Means Committee Chairman Dave Camp (R-MI), House Ways and Means Committee Ranking Member Sander Levin (D-MI), Senate Finance Committee Chairman Max Baucus (D-MT), and Senate Finance Committee Ranking Member Orrin Hatch (R-UT) released a discussion draft outline to permanently fix the broken Medicare Sustainable Growth Rate (SGR) formula. See the summary from the press release and my comments below.

The bipartisan, bicameral framework – released in a discussion draft – corrects a decade-long problem that has created uncertainty for millions of Medicare providers and beneficiaries. The leaders of the House Ways and Means Committee and the Senate Finance Committee have collaborated closely to develop a framework to solicit input to begin the committee process for a full repeal of the flawed formula.

The discussion draft is available [here](#). Below is a summary of the SGR discussion draft.

Summary of the SGR Problem:

The Sustainable Growth Rate (SGR) formula – the mechanism that ties physician payment updates to the relationship between overall fee schedule spending and growth in gross domestic product (GDP) – is fundamentally broken. Although originally introduced as a mechanism to contain the growth in spending on physician services, a decade of short-term “patches” has frustrated providers, threatened access for beneficiaries, and created a budgetary dilemma from which Congress has struggled to emerge. Unless Congress acts by January 1, 2014, physician payments will be cut by approximately 24.4 percent. Over the last decade, Congress has spent nearly \$150 billion on short-term SGR overrides to prevent pending cuts.

The 113th Congress has brought renewed commitment to repealing and replacing the flawed SGR update mechanism. This effort has been helped by the significantly reduced Congressional Budget Office score for a freeze of physician payments over the next ten years (\$139 billion) and the bipartisan proposal reported out by the House Energy & Commerce Committee in July. Building on that effort, this bipartisan, bicameral discussion draft from the Ways and Means and Senate Finance Committees seeks to move away from the current volume-based payment system to one that rewards quality, efficiency, and innovation.

Key points on the SGR discussion draft. It would:

- Repeal the flawed SGR mechanism, ensure payment stability for physicians, and ensure beneficiaries retain access to their physicians
- Improve the physician payment system to reward value over volume, ensuring beneficiaries and taxpayers receive value for the money spent
- Advance delivery system reforms and aligns public-private sector efforts
- Improve the accuracy of payments for physician services
- Incorporate physician and stakeholder expertise
- Utilize physician-developed guidelines to avoid provision of unnecessary services
- Reduce administrative burden on providers by aligning current physician quality programs
- Provide timely feedback data to physicians and makes more Medicare data publicly available

Summary of Discussion Draft:

The framework would permanently repeal the SGR update mechanism, reform the fee-for-service (FFS) payment system through greater focus on value over volume, and encourage participation in alternative payment models (APM), such as accountable care organizations and patient-centered medical homes. The revised FFS system would freeze current payment levels through the ten-year budget window, while allowing individual physicians and other health care professionals (subsequently referred to collectively as “professionals”) to earn performance-based incentive payments

through a compulsory budget-neutral program. By combining the current quality incentive programs into one comprehensive program, this framework would further value-based purchasing within the overall Medicare program while maintaining and improving the efficiency of the underlying structure with which professionals are already familiar. Professionals who receive a significant portion of their revenue from an APM(s) that involves two-sided financial risk and a quality measurement component (referred to as an “advanced APM”) would be exempted from the performance-based incentive program, and would instead receive a bonus payment starting in 2016. By providing funding for measure development priorities for professionals, the framework would address the current gaps in quality measurement programs and ensure meaningful measures on which to assess professionals.

The framework would encourage care management services for individuals with complex chronic care needs through the development of new payment codes for such services, as well as leverage physician-developed standard of care guidelines to avoid the unnecessary provision of services. It would also improve the accuracy of the physician fee schedule by setting a target for correcting misvalued services and allow for the collection of information on resources used in furnishing services.

Recognizing the role of quality and resource use data in helping consumers make informed purchasing decisions and helping professionals improve their performance, the framework would expand the data available to qualified entities (QEs) for quality improvement activities as well as the information available on the Physician Compare website.

Impact on Workers’ Compensation

A number state based workers’ compensation fee schedules are based on a percentage of Medicare reimbursement rate. To the extent that a new basis for determining Medicare reimbursement is enacted there will be an impact on these rates and over time an impact on premiums to be paid. Also, This permanent Medicare fix legislation is designed to be enacted before January 1st and could be a legislative vehicle for other changes to Medicare that impact workers compensation (e.g. Medicare Set-asides). UWC is following developments in this proposal and we hope to have the opportunity to include positive legislative reforms.