

Medicare Physician Reimbursement

Background

Medicare pays physicians through a fee schedule that aims to reimburse for services based on the relative resources used in providing them. The fee schedule is updated annually by applying a sustainable growth rate (SGR) target calculation intended to control growth. Since 2002, Medicare physician spending has exceeded the target set by the SGR and triggered a reduction in physician fees. Although Congress has repeatedly intervened to prevent reductions in Medicare physician payments, it has never reformed the SGR formula. The cumulative result of multiple, short-term Congressional interventions has created a \$300+ billion deficit in Medicare's physician payment system. This deficit forces Medicare to automatically implement additional, larger physician fee cuts in future years. Experts and stakeholders agree the existing mechanism for updating physician payments is broken. There is also a strong desire to reshape the underlying fee-for-service system by implementing new delivery and payment models aimed at rewarding high-quality, cost effective care.

MGMA position

In order for Medicare beneficiaries to have access to high-quality physician care, Congress and the administration should:

- Repeal the SGR. The Medicare physician payment system must adequately reimburse physician group practices for annual increases in the cost of providing patient care. Projected reductions in physician payments due to the SGR formula will be disastrous for Medicare beneficiaries and physician practices.
- Create joint incentives for providers to coordinate and improve care and achieve cost efficiencies. Opportunities to collaborate should allow group practices to serve as equal decision-makers among healthcare providers.
- Accommodate different practice models. The Medicare program must be flexible and give physicians credit under Medicare Part B for savings they achieve in Part A.
- Pilot test new physician payment approaches prior to widespread implementation. Given the diversity of medical practices, a single one-size-fits-all approach must be avoided, and physicians should have flexibility to adopt different approaches based on their composition, capabilities and community needs.
- Protect the Medicare program from attempts to divert funds for non-Medicare purposes.
- Use data sources to calculate Medicare physician payments that accurately reflect the relative cost of delivering quality care.
- Support the ability of physician group practices to provide their patients with a full range of clinical services by providing adequate and equitable payment across the various sites of service. Patient needs, rather than payment amounts, must be the basis for determining the appropriate care delivery setting.

MGMA Advocacy

To view specific examples of MGMA's advocacy efforts on matters of Medicare physician reimbursement, visit www.mgma.com/policy.