

Medicare's Sustainable Growth Rate: Fix It or Fail

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At a Capitol Hill briefing on September 30, 2014, leaders of three medical societies representing primary care physicians called on Congress to take advantage of the upcoming lame-duck session to replace the Medicare physician reimbursement system with one that actually rewards better patient outcomes.

Citing a report by the National Commission on Physician Payment Reform, the panel set out a roadmap for fixing a problem that threatens the health of seniors and drains the economy.

Members of the panel representing the Society of General Internal Medicine (SGIM), the American College of Physicians, and the American Academy of Family Physicians noted that spending 20% of US gross domestic product only buys us the 37th-best health in the world. The physicians went on to cite projections that US health care spending will grow an average of 6% over the next decade with no sign that the nation's collective health will get any better.

According to SGIM President William Moran, MD, "The current Medicare payment system challenges the rules of common sense." He notes that under the current Medicare system physicians are paid for each service they provide, regardless of the patient's outcome, and that high-cost technology-intensive services like surgery are valued at disproportionately higher rates than long-term management of chronic illness.

"We're paying for more—and more expensive—medical procedures and less to help seniors learn how to properly manage their diabetes or keep their congestive heart failure in check," Dr. Moran added.

Over the past several years, Congress has failed to come up with a permanent fix to the payment formula, opting instead for temporary patches that thus far have cost more than \$170 billion. Panelists at the briefing implored Congress to repeal the sustainable growth rate (SGR) and replace it with a system that rewards quality over volume and includes several other measures.

SGIM convened the National Commission on Physician Payment Reform to assess how Medicare reimburses physicians and how pay incentives are linked to patient outcomes. The blue-ribbon panel, co-chaired by former Senator Bill Frist, MD, and Steven Schroeder, MD, from the University of California, San Francisco, published a series of recommendations for transforming the US health care system into one that actually rewards better outcomes and pays for quality rather than patient volume. The report recommends the following:

1. Over time, payers should largely eliminate stand-alone fee-for-service payment to medical practices because of its inherent inefficiencies and problematic financial incentives.
2. The transition to an approach based on quality and value should start with the testing of new models of care over a five-year time period, incorporating them into increasing numbers of practices with the goal of broad adoption by the end of the decade.
3. Because fee for service will remain an important mode of payment into the future, even as the nation shifts toward fixed-payment models, it will be necessary to continue recalibrating fee-for-service payments to encourage behavior that improves quality and cost-effectiveness and penalize behavior that misuses or overuses care.
4. For both Medicare and private insurers, annual updates should be increased for evaluation and management codes, which are currently undervalued. Updates for procedural diagnosis codes should be frozen for a period of three years, except for those that are demonstrated to be currently undervalued.
5. Higher payment for facility-based services that can be performed in a lower-cost setting should be eliminated.
6. Fee-for-service contracts should always incorporate quality metrics into the negotiated reimbursement rates.
7. Fee-for-service reimbursement should encourage small practices (i.e. those having fewer than five providers) to form virtual relationships and thereby share resources to achieve higher quality care.
8. Fixed payments should initially focus on areas where significant potential exists for cost savings and higher quality, such as care for people with multiple chronic conditions and in-hospital procedures and their follow-up.
9. Measures to safeguard access to high quality care, assess the adequacy of risk-adjustment indicators, and promote strong physician commitment to patients should be put into place for fixed payment models.

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10. The SGR should be eliminated.
11. Repeal of the SGR should be paid for with cost savings from the Medicare program as a whole, including both cuts to physician payments and reductions in inappropriate utilization of Medicare services.

12. The Relative Value Scale Update Committee (RUC) should make decision-making more transparent and diversify its membership so that it is more representative of the medical profession as a whole. At the same time, CMS should develop alternative open,

evidence-based, and expert processes to validate the data and methods it uses to establish and update relative values.

A copy of the report can be found at <http://www.physicianpaymentcommission.org/report/>.

SGIM