



AAACE LEGISLATIVE FACT SHEET



MEDICARE PHYSICIAN PAYMENT REFORM **Repeal the Flawed Sustainable Growth Rate (SGR) Formula**

REQUEST: AAACE requests congressional approval of legislation that: 1) blocks the 10% automatic cut in physician payments scheduled to take effect on January 1, 2008, by providing a positive 1.7% physician payment update as recommended by the Medicare Payment Advisory Committee (MedPAC); and 2) replaces the flawed Medicare SGR formula with an annual update system that reflects increases in physician practice costs.

AAACE appreciates congressional action last year that halted the 5% physician payment cut scheduled for 2007 and replaced it with a payment freeze at 2006 levels; however, problems with Medicare physician payment system continue.

THE PROBLEM: Without congressional action this year, payment rates under the flawed Medicare SGR formula will be cut by 10% on January 1, 2008. Furthermore, the 2006 Medicare Trustees Report predicts cumulative reductions in Medicare physician payment rates of nearly 40% by the year 2015 as a result of the SGR formula.

- **The Medicare Payment Advisory Commission (MedPAC) found that increasing numbers of Medicare beneficiaries report “big problems” finding new primary care and specialist physicians.** MedPAC is concerned that Medicare pay cuts will worsen patient access problems.
- **The SGR formula has kept average 2007 physician payment rates the same as they were in 2001 while practice costs have increased.** This payment policy prevents physicians from making the necessary investments in health information technology to support quality improvement efforts.
- **The flawed SGR formula punishes physicians, such as endocrinologists, who provide preventive health services, and who manage diabetes and other chronic conditions in order to avoid or reduce costly and often life threatening complications and hospitalizations.**
- **Physician payments under the SGR formula are tied to the Gross Domestic Product (GDP), which bears no relationship to patients’ health care needs or physician practice costs.**

MEDICARE QUALITY IMPROVEMENT: AAACE is interested in working with Congress and CMS towards implementing quality improvement measures under the Medicare program.

- AAACE is an active participant in the AMA Physician Consortium for Performance Improvement and was specifically involved in the development of quality measures related to diabetes, hypertension and osteoporosis. CMS has used some of the Consortium measures in the Physician Voluntary Reporting Program (PVRP) and in the new Physician Quality Reporting Initiative (PQRI).
- AAACE supports quality improvement initiatives that ensure quality of care, foster the patient – physician relationship, offer voluntary physician participation, use accurate data and fair reporting, and provide fair and equitable incentives without imposing punitive and unfair administrative and program requirements on physicians.