

Medicare SGR
Repeal &
Beneficiary Access
Improvement Act
of 2014

March 11,
2014



What is the SGR?

- The SGR was originally established under the Balanced Budget Act of 1997 to control the volume of physician services provided.
- If physician fee schedule spending was below an SGR “target”, total payments would be increased.
- If physician fee schedule spending was above the target, total payments would be decreased.
- The formula never worked and Congress has stepped in to avoid drastic cuts every year since 2003.



Why repeal the SGR?

The Problem

- ▶ SGR formula is broken
- ▶ Decade of costly short-term patches
- ▶ Physician payment set to be cut by over 20% in April
- ▶ Physicians are frustrated over threatened cuts
- ▶ Potential access problems for beneficiaries
- ▶ Other providers angry over repeated cuts to pay for temporary SGR patches
- ▶ Congressional frustration with annual extender ritual

Why act now?

- ▶ 10 year cost of repealing the SGR has dropped from \$243.7B to \$115B
- ▶ Bipartisan and bicameral agreement from all three committees of jurisdiction



What should the SGR be replaced with?

- It is not enough to just repeal the SGR because the current “**fee-for-service**” payment system rewards professionals who provide a high quantity of services rather than rewarding professionals who provide the right services.
- Innovative health systems are moving to “**alternative payment models**” that reward value and hold professionals accountable for the quality of care they provide to patients.
- But some professionals will remain in the fee-for-service system for the near term. The SGR must be replaced with a system that encourages alternative payment models and ensures fee-for-service payments are based on quality and value.



What has Congress proposed as a replacement?

- In February, bipartisan companion bills were introduced in both houses of Congress. The bill would:
 - Give professionals payment stability while new and innovative payment models are being developed.
 - In 2018, for the first time, all professionals will be paid based on the quality and value of care that they provide.
 - Patients and professionals will have unprecedented access to Medicare quality and cost data.



SGR Bill at a Glance

1. Repeal the SGR

2. Promote alternative payment models (APM)

3. Improve fee-for-service by rewarding value over volume

- Create a Merit-Based Incentive Payment System
- Improve fee schedule accuracy
- Introduce appropriate use criteria
- Create chronic care coordination payments

4. Expand Medicare data transparency

Repeal the SGR

Proposal repeals the flawed SGR formula and replaces it with 0.5% updates for 2014-2018 and 0% updates for 2019-2023.

- This policy provides long-term stability to Medicare professionals.
- Payment policy will remain stable for four years (until 2018).
- After 2024, professionals who make the transition to alternative payment models that promote high value care will receive a 1% annual update.
- After 2024, professionals who remain in the fee-for-service system will receive a 0.5% annual update.

Encouraging Alternative Payment Model Participation

Provides a 5% bonus to professional who have a significant share of their revenues (from 25% up to 75%) in an APM for 2018

- APMs hold professionals accountable for the quality and value of care they provide
- APMs allow professionals to keep a portion of the savings they generate by providing higher value care
- The 5% bonus helps professionals offset the cost of practice transformation
- A technical advisory committee will give professionals significant opportunities to participate in model development

Improving fee-for-service by rewarding value over volume

Professionals whose performance exceeds set standards will receive positive incentive payments, those who fall below the standards will receive negative incentive payments

- Professionals are evaluated using four categories:
 - Quality
 - Cost
 - Use of health information technology
 - Engagement in clinical practice improvement activities
- Clear thresholds give professionals certainty about the standards they must achieve to obtain positive incentives
- Puts significant payment (up to 9%) at risk to drive change

Other fee-for-service improvements

- Sets a target for CMS to correct misvalued services
 - If target is met, funds stay in the physician fee schedule
 - If target is not met, professional payments are reduced
- Professionals ordering advanced imaging diagnostics are required to consult clinician-developed evidence-based guidelines
- Establishes a new payment for non-face-to-face care coordination to promote management of complex chronic conditions

Expand Medicare Data Transparency

- Adds new quality, utilization, and payment data to the Medicare Physician Compare website
 - Gives beneficiaries the information they need to make informed decisions about their care
- State or regional organizations called Qualified Entities (QEs) will be permitted to use Medicare data to sell analyses to providers. These analyses will help them improve the quality of care they furnish to beneficiaries.

Extenders

MEDICARE EXTENDERS

- Medicare Dependent Hospitals
- Low-Volume Adjustment
- Floor on Geographic Adjustment for Physician Fee Schedule
- Ambulance Add-ons
- Therapy Cap
- National Quality Forum
- Special Needs Plans
- Medicare Cost Contracts
- Outreach and Assistance for Low-Income Programs

MEDICAID EXTENDERS

- Qualified Individual (QI) Program
- Transitional Medical Assistance (TMA)

- Medicaid and CHIP Express Lane Option
- Funding for Pediatric Quality Measure Development
- Special Diabetes Program (SDP) Funding

HUMAN SERVICES EXTENDERS

- Abstinence Only Education
- Personal Responsibility Education Program
- Family to Family
- Health Professions Opportunities Grants

Medicare Health Extenders

MEDICARE DEPENDENT HOSPITALS (MDH) – Enacted 1989

Description: MDHs get higher payments if they meet requirements like having fewer than 100 beds and 60% of discharges paid by Medicare

Senate Finance Extension: Add-on payments made permanent.

LOW-VOLUME HOSPITALS – Enacted 2010

Description: Hospitals with small numbers (or low volumes) of patients get higher payments to help cover fixed costs

Senate Finance Extension: Add-on payments made permanent.

Medicare Health Extenders

WORK GEOGRAPHIC ADJUSTMENT FLOOR – Enacted 2003

Description: Medicare adjusts physician payment to reflect geographic variation in cost of living. A floor was created for low-cost areas.

Senate Finance Extension: Floor made permanent.

GROUND AMBULANCE ADD-ONS – Enacted 2003

Description: Payment add-on of 2-3%, higher in super-rural areas

Senate Finance Extension: Extends add-ons payments for five years, until 2019.

Medicare Health Extenders

MEDICARE OUTPATIENT THERAPY CAPS – Enacted 1997

Description: There is an annual cap of \$1,900 of therapy services per beneficiary. Medicare will not pay for services beyond the cap.

Senate Finance Extension: Repeals outpatient therapy caps and establishes a new medical review program to ensure appropriate therapy usage.

NATIONAL QUALITY FORUM – Enacted 2008

Description: NQF reviews & endorses quality measures for accuracy

Senate Finance Extension: Extends funding for, and improves the quality of, the measure endorsement process.

Medicare Health Extenders

SPECIAL NEEDS PLANS – Enacted 2003

Description: Authorizes special MA plans for beneficiaries who are institutionalized, dually eligible, and/or have specific chronic conditions

Senate Finance Extension: Reauthorizes special needs plans, special MA plans for beneficiaries who are institutionalized (permanent), dually eligible (through 2020), and/or have specific chronic conditions (through 2017).

COST PLANS – Enacted 1982

Description: Medicare managed care plans that are paid for the actual cost of providing service to enrollees instead of a fixed monthly payment

Senate Finance Extension: Requires certain Medicare cost plans to convert to MA plans by 2017.

Medicare Health Extenders

FUNDING FOR OUTREACH EFFORTS FOR LOW-INCOME BENEFICIARIES – Enacted 2008

Description: Funds outreach and education by State Health Insurance Counseling and Assistance Programs (SHIPs) and other organizations

Senate Finance Extension: Permanently extends funding.

Medicaid Health Extenders

QUALIFYING INDIVIDUAL (QI) PROGRAM – Enacted 1997

Description: Pays Medicare part B premium for low-income beneficiaries

Senate Finance Extension: Extends funding for the Qualifying Individuals program for five years and removes restrictions on the number of beneficiaries who may receive QI assistance.

TRANSITIONAL MEDICAL ASSISTANCE (TMA) – Enacted 1998

Description: Continuation of Medicaid benefits as income fluctuates

Senate Finance Extension: Extends funding for the Transitional Medical Assistance program for five years and provides states that take up ACA Medicaid expansion and continuous eligibility the option to opt out.

Medicaid Health Extenders

EXPRESS LANE ELIGIBILITY – Enacted 2009

Description: Allows states to use data sources like SNAP for determination of Medicaid & CHIP eligibility

Senate Finance Extension: Extends the program until September 30, 2015.

PEDIATRIC QUALITY MEASUREMENT– Enacted 2009

Description: Redirects funding to develop pediatric quality measures

Senate Finance Extension: Extends funding through September 30, 2015.

Medicaid Health Extenders

SPECIAL DIABETES PROGRAM (SDP) – Enacted 1997

Description: Funding for Type 1 diabetes research and diabetes education among American Indians.

Senate Finance Extension: Extends funding through 2019.

Human Services Extenders

ABSTINENCE ONLY EDUCATION (AB-ONLY)– Enacted 2010

Description: Grant funding program that must be used exclusively for teaching abstinence. To receive federal funds, a state must match every \$4 in federal funds with \$3 in state funds.

Senate Finance Extension: Extends the program through 2019.

PERSONAL RESPONSIBILITY EDUCATION PROGRAM (PREP)– Enacted 2010

Description: Grant funding that enables states to operate evidence-based education programs that include options ranging from abstinence to contraception.

Senate Finance Extension: Extends program through 2019.

Human Services Extenders

FAMILY TO FAMILY– Enacted 2012

Description: Funds grants to assure that families of children with special health care needs receive services and peer-to-peer counseling.

Senate Finance Extension: Extends counseling grants through 2018.

HEALTH PROFESSIONS OPPORTUNITIES GRANTS (HPOG)– Enacted 2010

Description: Provides training programs in high-demand health professions to Temporary Assistance for Needy Families (TANF) recipients & low-income individuals.

Senate Finance Extension: Extends program through 2015.