



AMERICAN OSTEOPATHIC ASSOCIATION

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Background

Medicare Physician Payment & Sustainable Growth Rate

- ❖ On December 24, 2011, Congress extended 2011 payment levels through February 29, 2012.
- ❖ On March 1, 2012, Medicare physician payments will be cut -27.4%.
- ❖ Short-term fixes cause more drastic cuts in future years and increase the cost of meaningful and long-term payment policies. In 2005, the cost of a full SGR repeal was less than \$50 billion. Today, the cost of full repeal has grown to \$300 billion. In five years, the cost of short-term fixes and accumulated SGR debt will reach approximately \$600 billion.
- ❖ A 1-year freeze of current payment policies will cost \$21 billion, increase the cut to -32% in 2013, and add \$24 billion to the cost of a full SGR repeal.
- ❖ A 2-year freeze of current payment policies will cost \$39 billion, increase the cut to -36% in 2013, and add \$56 billion to the cost of a full SGR repeal.
- ❖ Repealing the failed sustainable growth rate (SGR) formula is sound fiscal policy.
- ❖ Failure to enact long-term reforms today results in more problematic legislative action in future years as available pay-fors become scarcer.

Implications of a One-Year Medicare Physician Payment Freeze Using Cliff Financing

	Today	2012
Size of Medicare cut	-27.4%	-32% (January 1, 2013)
Cost of 1 year freeze	\$21 billion	
Cost of SGR repeal	\$290 billion	\$314 billion
Cost of SGR Repeal and cost of temporary fixes	\$290 billion	\$335 billion

Implications of a Two-Year Medicare Physician Payment Freeze Using Cliff Financing

	Today	2013
Size of Medicare cut	-27.4%	-36% (January 1, 2014)
Cost of 2 year freeze	\$38.6 billion	
Cost of SGR repeal	\$290 billion	\$346 billion
Cost of SGR Repeal and cost of temporary fixes	\$290 billion	\$385 billion