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CMS to Cut Physician Payments by 27.4% if Congress Doesn't Fix SGR

On Tuesday, November 1, 2011, CMS issued its Final Rule for hospital and physician payments for 2012. According to the Final Rule, physician payments will be reduced by 27.4% if Congress does not act to replace the SGR formula that was adopted by the Balanced Budget Act of 1997. The rate reduction is less than the 29.5% cut predicted by CMS in March of this year because Medicare cost growth has been lower than expected.

This is the eleventh time the SGR formula has resulted in a payment cut, although the cuts have been averted through legislation in all but 2002. Announcement of the dramatic payment cut renewed calls for a permanent fix to the SGR formula. CMS Administrator Don Berwick, M.D. had this to say upon release of the 2012 rate announcement:

"This payment rate cut would have dire consequences that should not be allowed to happen. We need a permanent SGR fix to solve this problem once and for all. We are committed to working with the Congress to achieve a permanent and sustainable fix."

It should be noted that Republicans and Democrats in Congress have recently proposed competing measures that would also dramatically affect Medicare payments. On Thursday, October 27, 2011 Republican members of the "super committee" on deficit reduction proposed a \$2.2 trillion deficit-reduction plan that would cut \$1.2 trillion in federal spending, including cuts to Medicare benefits and providers. The Republican proposal countered an earlier plan offered by Democrats on the super committee which would reduce the deficit by almost \$3 trillion over 10 years through a mix of spending cuts and revenue increases, including \$500 billion in cuts to Medicare, Medicaid and other federal health programs. The 12-member committee of Republicans and Democrats is racing to produce a compromise before its Thanksgiving deadline. Failure to cut at least \$1.2 trillion from deficits over the next decade would force mandatory cuts, projected to equate to a 2% across the board cut for all Medicare spending. Since the current Congressional budget relies on the savings generated by the SGR-related cut scheduled for January 1, 2012, the 2% across the board cut would be in addition to the 27.4% SGR cut for physicians.

If you have any questions related to this topic, please contact Jay Packer at (562) 809-3521 or jpacker@marinabilling.com.