What budget offsets would physicians recommend for financing the cost of Medicare physician payment reform?

Members of Congress have expressed many opinions about the offset issue—not only about the acceptable funding sources but also about whether or how much Medicare physician payment reform must be offset. Some ideas have limited or partisan support and are not likely to pass both the House and Senate and then be signed into law. That is why bipartisan, bicameral discussions initiated by Congress are needed to establish a framework to resolve the budget issues. Does the entire cost of reform need to be offset? If not, what is the threshold? Which offsets will generate the broadest support? Do offsets have to come from Medicare or from health programs only? Are there other policy proposals with long-term savings potential that a bipartisan majority would accept as an alternative to fully offsetting the cost of the legislation? Questions like these need to be answered through good faith negotiations among the lawmakers. Medicine is willing to come to the table and help refine any ideas, assess their feasibility, and offer technical assistance when Congress has outlined a framework that is acceptable to both parties.

The next scheduled payment cut is set to take effect on April 1, which is not enough time to reach agreement on the offsets. What’s wrong with passing another short-term patch to buy more time?

The April 1 deadline was established by Congress as the result of the last 12-month patch. This flawed logic of extending the deadline to provide more time has been applied 17 times. And, the cost of short-term patches themselves has grown year after year—we are at the point now where with another patch, Congress will have spent more on temporary measures than it would cost to repeal the sustainable growth rate (SGR) formula altogether. In addition, offsets for temporary patches are becoming increasingly difficult to find. It’s clear that the patch-and-delay approach is not the pathway to success.

Last year, several physician groups actually opposed passage of the current 12-month patch. Will that happen again this year if an agreement is not reached by the deadline and Congress passes another temporary patch?

Few if any physician groups support short-term patches any more. Physicians are just fed up with the uncertainty and the practice disruptions that have been caused by delays and patches. How medicine reacts will likely depend on the details of a patch, and whether or not physicians believe that Congress is still serious about passing real reform. It will depend on what progress has been made toward resolving the outstanding offset issues, and the pathway that Congress presents for enacting legislation this year.

But is full repeal really all that important? Congress has shown that it will not allow deep Medicare physician payment cuts to take effect. What is the real harm in continuing to pass short-term bills?

Repeatedly kicking the can down the road is having a real impact on physician practices, as well as on federal spending.

Congress does not always pass these short term “fixes” on time, and there have been several years where more than one payment patch was required. As a result, practice revenues are unpredictable and cash flow problems can occur. This does not create the right environment for physicians to make the kind of practice investments and workflow changes that are required to implement the sort of health care delivery reforms that both government programs and the private sector want to encourage.

Further, another patch will result in Congress spending far more on these short-term fixes than it would cost to repeal the SGR altogether. These bills have been offset through permanent payment cuts and policy changes affecting both physicians and other Medicare providers—permanent changes have been made to provide temporary solutions without ever addressing the underlying problem. The savings used for short-
term SGR patches could have been used to address other issues and needs. This is fiscally irresponsible and is a poor way to manage a program like Medicare that is so important to millions of Americans.

**Shouldn’t we wait and address this issue as part of broader entitlement reform?**

There are many entitlement reform proposals that at least some physician groups would be willing to support. The specific reforms that may be supported by a bipartisan majority in both houses of Congress is a different question that needs to be resolved through lawmaker negotiations. However, SGR repeal should not be held hostage while the details of broader reforms are being worked out.