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# MEDICARE: SUSTAINABLE GROWTH RATE fact sheet



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## REQUEST

The American Thoracic Society urges Congress to enact a permanent fix to the Medicare Sustainable Growth Rate formula.

## SGR – BACKGROUND

The 1997 Balanced Budget Act created the Medicare Sustainable Growth Rate (SGR) formula as a mechanism to control overall spending on Medicare Part B services. The SGR formula included a number of unrealistic assumptions about Medicare spending that led to projected cuts in Medicare physician reimbursement.

Since 2002, Congress has intervened 14 separate times to prevent the projected cuts and has legislatively established the update for each year. However, to pay for the payment relief, Congress pushed the current year cuts into out years, creating massive and unsustainable future cuts in Medicare physician reimbursement. In February of 2012, Congress enacted a 10-month patch for the duration of 2012. The medical community is facing a projected 32% cut in 2013. The yearly uncertainty of Medicare payments, let alone the looming SGR driven cuts, is undermining provider confidence in the Medicare program and will impact Medicare beneficiary access to physicians.

## BROAD RECOGNITION OF THE SGR PROBLEM

Everyone knows SGR must be fixed. Bipartisan majorities in both chambers have signed letters lamenting the SGR, and Republican and Democratic Administrations have stated their desire to fix the SGR. MedPAC has published several reports calling for a solution to the SGR crisis. The medical community is universal in its desire for an SGR fix. All that is lacking is the political will to enact a permanent SGR solution.

## INCREMENTAL ACTION INCREASES THE COST OF REAL SOLUTION

This year, Congress spent \$ 20 billion to avoid the SGR cut in 2012, but it added \$25 billion to the cost of a permanent solution. Congress' failure to enact a permanent solution has only increased the cost of a permanent fix.

Date of CBO Score	Freeze-10 Year Score	MEI-10 Year Score
February 28, 2002	-----	\$126 billion (based upon 2001 and 2002 MedPAC recommendation)
May 5, 2004	-----	\$95 billion
March 24, 2005	\$48.6 billion	\$154.5 billion
March 24, 2006	\$127.2 billion	\$218.2 billion
January 2007	\$170.8 billion	\$252.2 billion
March 2007	\$177.7 billion	\$262.1 billion
March 14, 2008	\$220.1 billion	\$288.1 billion
May 7, 2009	\$285 billion*	\$344 billion*
April 30, 2010	\$275.8 billion*	\$329.9 billion*
June 14, 2011	\$297.6 billion	\$358.1 billion

\*Note: The cost of physician administered drugs was removed from the calculation of the SGR, both retrospectively and prospectively, by regulatory action in the fall of 2009. This had the effect of reducing the scores from the May 7, 2009, levels by approximately \$80 billion over 10 years. The 2010 scores incorporate savings from physician-administered drugs having been removed from the SGR.

Source: American Medical Association