

## BACKGROUND INFORMATION AND TALKING POINTS

### MEDICARE PHYSICIAN PAYMENT REFORM

#### Background

- A physician's office is a small business - a service industry business.
- Any business that faces year after year cuts in payment rates has difficulty surviving - physicians are no different.
  - Energy costs, supply costs, rents rise every year.
  - Health insurance costs for employees go up, but insurance payments from those companies go down.
- Physicians are the ONLY healthcare providers impacted by the Sustainable Growth Rate (SGR) formula.
- Medicare payment rates are tied to the entire healthcare sector, impacting private sector plans, Medicaid programs, and the Tricare program, which pays for the care of active duty and retirees in the military.

#### Talking Points

- These drastic Medicare physician payment cuts are impacting patient care. A MedPAC survey found that 22% of patients already have problems accessing care and 27% report delays in getting appointments.
- Now is the time for Congress to discard the SGR and replace it with a formula that bases annual increases on changes in the costs of providing physician services.
- The ACCP agrees with the 2006 MedPAC recommendation that Congress scrap the SGR and adopt the same approach for physician payment updates that is used for hospitals, nursing homes, and other Medicare providers.
- The ACCP supports replacing the SGR formula with a simple model based on the Medicare Economic Index, which is maintained by the Centers for Medicare and Medicaid Services and has been the benchmark for medical practice costs for more than 30 years.

**Request for Action:** Replace the SGR with a payment mechanism, such as the Medicare Economic Index, that accurately reflects medical practice costs.

02/2008