Society of Hospital Medicine

Sustainable Growth Rate (SGR) Repeal

Legislative Ask: SHM requests Congress repeal the SGR and move the Medicare physician payment system towards value-based payment.

- House: cosponsor and work to secure the passage of H.R. 1470.
- Senate: cosponsor and work to secure the passage of S. 810

The legislation is an updated version of the policies set in last year's bipartisan, bicameral Medicare payment reform bill.

Issue Background: The Balanced Budget Act of 1997 created the sustainable growth rate formula (SGR) in an attempt to control spending in the Medicare program. For over a decade, this payment formula has consistently produced unrealistic expenditure targets, which subsequently trigger untenable reductions in physician payment rates. Annual Congressional overrides of these scheduled cuts have averted immediate crises in access to physician services for Medicare beneficiaries. Failing to repeal the SGR has exacerbated a longer-term crisis in Medicare financing. On April 1, 2015, physicians face a scheduled reduction in Medicare payments of approximately 22 percent unless Congress acts.

Legislative Impact: The current approach to payment levels based on overall physician expenditure targets, which punishes individual physicians for systemic dysfunction, is the wrong approach to reducing costs. The existing fee-for-service model, particularly with the threat of SGR cuts, rewards overutilization. It is time to end the SGR and create a clear pathway to new reimbursement models that will treat providers fairly, improve patient outcomes, and reduce costs in Medicare by changing the way physicians are paid to incentivize timely, evidence-based, coordinated care for Medicare beneficiaries. Payment reforms that reimburse on the basis of efficiency, quality and patient outcomes are essential to slowing the rate of growth in health care spending while ensuring access to services.

This Medicare payment reform legislation fully repeals the SGR, stabilizes current payment rates, makes significant changes to the Medicare physician payment system, and incentivizes the adoption of alternative payment models.