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# **The SGR: What Can Be Done?**

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**Briefing on The Doc Fix: What Happens Next?**

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# The SGR Quandary

- **The need to control Medicare spending growth**
  - **Total payments to physicians based on volume and intensity of individual services**
  - **Volume and intensity determined directly by physician decisions**
  - **SGR formula reduces fees for all services if total physician spending exceeds target**
- **As spending continues to exceed target, SGR formula produces large cuts in physician fees that may threaten Medicare beneficiaries' access to care**
- **Large cuts produced by SGR formula make it 'costly' to repeal, so Congress has deferred cuts every year or two—'kicking the can down the road'**

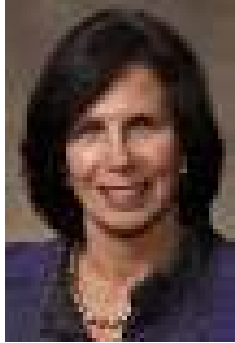
# The Failure of the SGR

- **It reduces payment rates across-the-board, regardless of appropriateness.**
- **It maintains incentives for physicians to increase service volume and intensity.**
- **It does not address the undervaluation of primary care services in the physician fee schedule.**
- **It has not succeeded in controlling spending growth.**
- **It has led to increasing gaps between Medicare and private payment rates.**
- **It has undermined Medicare's credibility with physicians.**
- **It does not provide incentives to improve quality, appropriateness, and coordination of care.**

# **An Alternative Approach**

- **Devote all new payments to supporting innovative payment and delivery system arrangements.**
- **Enhance payment for primary care providers in patient-centered medical homes and high-cost care management teams.**
- **Provide higher compensation for providers who participate in innovative, high-value health systems and exhibit high performance.**
- **Offer positive incentives for beneficiaries who designate and use primary care providers or high-cost care management teams.**
- **Bundle payments for acute care episodes.**

# Our Panel



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