The SGR Patch – An Annual Sign of Spring

How do doctors know when Spring has arrived? When Congress passes a

temporary patch to avoid the reimbursement cuts required by the Medicare Sustainable Growth Rate reimbursement formula ("SGR"). Enacted in 1997, SGR imposes Medicare reimbursement cuts for physicians and other professionals if the volume of services provided exceeds certain cost targets. Volume has exceeded those limits every year since 2003, but Congress has stepped in every year with a short-term fix to prevent the reductions. The snowball effect of these annual SGR patches means physicians and other providers faced a 24% cumulative cut to Medicare reimbursement absent a permanent fix or short-term patch by April 1, 2014. Many hoped the Spring rite of a short-tem fix would not arrive this year due to broad bipartisan support for permanently replacing the SGR formula with a system that rewards quality instead of volume and also due to low interest rates making the price tag of replacement more affordable. But, on April 1st, Spring sprang again as Congress passed, and President Obama signed, a 12-month SGR patch after bipartisan agreement broke down over how to pay for the Congressional Budget Office's estimated $180 billion cost of permanently replacing the SGR. The patch legislation also included several other key provisions and delays including delaying the transition to ICD-10 Codes until October 2015 and repealing the ACA's limitation on deductibles for employer-sponsored plans (we wrote about other ACA delays in this blog post). The patch also provided various methods for paying for the one-year extension. Unfortunately, this adds to the many uncertainties medical professionals face when running their practices. Hopefully leaders in Congress will adopt a permanent SGR fix, perhaps by next Spring, but until then, feel free to contact us with questions about your practice. Photo: Thinkstock/weerapatkiataumrong