Current Perspective

The SGR Fix: Was It?

Initially implemented as a part of the Balanced Budget Act of 1997, the sustainable growth rate (SGR) system was designed to control rising Medicare payments to physicians by indexing aggregate physician costs to target expenditures and the gross domestic product. Since 2003, Congress has had to step in 17 times with a temporary "patch" to avoid a drastic decrease in payments that would otherwise have occurred under the SGR system.

Over the years, the SGR achieved legendary status by being opposed by nearly everyone—physicians, Congress, CMS, health care economists, policymakers, and patient groups. However, the funding needed to permanently fix the SGR rapidly rose into the hundreds of billions of dollars and became a political football in a partisan Congress.

For ophthalmology, which has one of the highest percentages of Medicare patients of any specialty, the temporary "patches" applied since 2003 have resulted in average inflation-adjusted Medicare payment rates tumbling by about 17 percent.

Strong Bipartisan Support

The recently passed fix, H.R. 2 ("Medicare Access and CHIP Reauthorization Act of 2015") was a true bipartisan anomaly. House Republicans and Democrats came together by a vote of 392-37 and passed a permanent $200 billion fix to the SGR—only a portion of which was partially offset by new revenue sources or "pay fors." Some of that money came from hospitals, some from postacute care facilities, and some from means testing of more affluent Medicare beneficiaries.

Some constituencies in Washington complained that "the doctors themselves aren't providing any of the funding for the fix." Wrong. The physician community has paid and is paying hundreds of billions of dollars. Had they received (as hospitals have) a positive annual update approaching medical inflation, the fix would have been unnecessary. Physicians have paid for it over a 12-year period, during which annual payment increases averaged about 0.3 percent, while the cost of running a medical practice increased about 3 percent a year. And they are still paying for it: Annual increases will be only 0.5 percent for the next five years—regardless of medical inflation.

A Mixed Reaction

The SGR fix is not universally popular. The Republican right wing isn't happy that it adds to the deficit. The Democratic left wing is unhappy that the Children's Health Insurance Program is funded for only two years instead of four. The AARP complained that the legislation places "unfair burdens on beneficiaries … through greater out-of-pocket expenses." Hospitals wish they weren't shouldering part of the cost, and physicians were hoping for more robust annual updates. But everyone is happy to finally—after 12 years—see that the nation's physicians are no longer being held hostage to an annual threat of draconian payment reductions, and that the nation's Medicare beneficiaries are no longer threatened with a mass exodus of physicians from Medicare.

A few physicians even said, "Don't support the fix. Let physician payments drop 21 percent, and then the whole system will unravel and physicians' economic value will be restored." While not disagreeing at all that the SGR fix is difficult to embrace

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enthusiastically, the fact remains that if such an unraveling were to occur, the biggest losers would be patients, who would face at least transient market disarray, loss of long-standing physician relationships, and even pockets of extreme difficulty with access to care. Finally, the disruption to physicians' lives would be impossible to predict, as some practices would see immediate drops in payments, while others would be inundated with new patients from those physicians exiting the Medicare system.

Key Provisions of the Bill

What was really in the SGR fix bill? First of all, the bill is over 38,000 words long (well over 100 pages). It touches a number of specific physician payment issues. Special issues to note include:

- First and foremost, the SGR system is permanently repealed.
- Fee-for-service Medicare is set with a 0.5 percent positive annual update to payments for each of the next five years. It is then 0 percent for 2020 through 2025. For 2026 and beyond, it is 0.75 percent for eligible alternative payment model (APM) participants and 0.25 percent for all others.
- The scheduled unbundling of postoperative visits from 10- and 90-day global surgery fees (as per the 2015 Final Rule) is gone.
- Many of the features of the Physician Quality Reporting System (PQRS), meaningful use (MU), and Value-Based Payment Modifier (VBM) are incorporated into a single "Merit-Based Incentive Payment System" (MIPS). The last PQRS, MU, and VBM reporting period would be for 2018.
- Physicians enrolled in qualifying APMs would receive annual bonuses of 5 percent for services in 2019-2024 and would not be subject to MIPS requirements. Examples of APMs include accountable care organizations (ACOs), bundled pricing, and shared savings systems.

Impact on Ophthalmology

Several provisions of the bill warrant additional commentary.

Unbundling of postoperative visits. It is impossible to overstate the impact of the reversal of the 2015 Final Rule as it pertains to unbundling of postoperative visits. Of all specialties in medicine, this change would have hit ophthalmology and cardiothoracic surgery the hardest—60 percent of ophthalmology payments would have been affected. For some major procedures, the drop in total reimbursement was anticipated to be between 10 and 15 percent! Think of it as half of an SGR payment cliff. As you can imagine, many of the nonprocedural specialties supported this unbundling—their underlying assumption being that dollars not spent would be redirected to primary care initiatives. In the end, the Academy played a major role in the coalition to get language into H.R. 2 that reversed this CMS-planned unbundling. A huge win!

MIPS. As it is currently drafted, MIPS lumps all the penalties of PQRS, MU, and VBM together in a single entity after 2018. While touted as being more flexible (with the opportunity for substantive bonuses as well as penalties) and more clinically relevant, MIPS is highly problematic for specialists who are not a part of large multispecialty integrated practices.

MIPS bonuses and penalties begin at 4 percent in 2019 and rise to 9 percent in 2022. Remember that, in general, the cost of bonuses must be offset by penalties. Moreover, unless this system is subsequently amended, it will be very difficult for ophthalmologists in private practice to avoid MIPS penalties (let alone qualify for bonuses).

One aspect of H.R. 2 that provides some potential relief for ophthalmologists, however, is the legislated opportunity to use approved clinical registries (like IRIS) as an alternative to enrollment in APMs. Therefore, IRIS may provide members with a vehicle to save up to 9 percent per year.

Updates. While 0.5 percent annually is not much of an update in an environment of more rapidly rising practice costs, it beats the 0 percent physicians have been used to receiving. But it is still inadequate—unless there is a genuine substantive opportunity to qualify for quality bonuses. This needs to be fixed.

Putting It in Perspective

In summary, H.R. 2 is far from a perfect bill. I believe that it must be viewed in perspective. The perennial risk and threat of a massive 20 percent or more cut in payments was far worse, even if it never came to pass. It was worse because it created uncertainty, disruption in payments, wasted time and effort—and it sucked all the air out of the room for serious discussion about other important health care issues. Every year, Congress and the physician community were both placed in the position of negotiating, advocating, and threatening to get to a short patch and a 0 percent update. And if you think MIPS is bad, the status quo was even worse, with PQRS, MU, and VBM poised to combine for an even larger potential penalty scenario (would have been 11 percent in 2018) and more complex regulations and reporting.

And for those few ophthalmologists who dislike where Medicare is going so much that they will choose to opt out of the Medicare program, H.R. 2 actually makes that a little easier as well.

Looking Forward

Now we can shift the debate to those elements of H.R. 2 that need fixing: updates and bonus/penalty programs. And we can also turn our attention to other elements of medical practice, including electronic health records and MU, research funding, narrow networks—and the many, many other hot issues that were shunted aside by the SGR discussions.

All of you who communicated with your members of Congress, who contributed to the political process, or who engaged your family, friends, or patients in the SGR fix process deserve the sincere congratulations of your peers—and your patients. It took over a decade, but you won. Congratulate yourselves.

***NOTE:** The Opinion column by Richard P. Mills, MD, MPH, will return next month.*