



# THE COMMITTEE ON ENERGY AND COMMERCE

## MEMORANDUM

July 18, 2013

To: Energy and Commerce Committee Members

From: Majority Staff

Re: Subcommittee Markup

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On Monday, July 22, 2013, at 5:00 p.m. in 2123 Rayburn House Office Building, the Subcommittee on Health will meet in an open markup session for opening statements on H.R. \_\_\_\_, “to amend title XVIII of the Social Security Act to reform the sustainable growth rate and Medicare payment for physicians’ services, and for other purposes” (Committee Print). The Subcommittee will reconvene on Tuesday, July 23, at 1:30 p.m. in 2123 Rayburn House Office Building in open markup session on the legislation.

In keeping with Chairman Upton’s announced policy, Members must submit any amendments they may have two hours before they are offered during this markup. Members may submit amendments by email to [Peter.Kielty@mail.house.gov](mailto:Peter.Kielty@mail.house.gov). Any information with respect to an amendment’s parliamentary standing (e.g., its germaneness) should be submitted at this time as well.

### **MEDICARE PHYSICIAN PAYMENT**

For over two years, the Energy and Commerce Committee, on a bipartisan basis, has examined Medicare’s Sustainable Growth Rate (SGR) system of paying doctors. Based on this examination, it is clear that the current SGR, should it be allowed to work as designed, threatens access to care for millions of seniors in this country, as well as the livelihood of medical providers who care for them. Therefore, repeal and replacement of the SGR is a necessary Medicare reform that will ensure the future viability of the program – but it must be done in a fiscally responsible way. Below provides background on the Committee’s work on the issue and the Committee Print.

#### **A. SGR During the 112th and 113th Congresses**

On March 28, 2011, the Committee sent a bipartisan letter to approximately 50 physician groups and other stakeholders requesting suggestions for developing a long-term alternative to the SGR. The Committee received more than 30 responses. The responses varied from simply proposing repeal of the SGR and providing for 10 years of stable payment updates to detailed and comprehensive payment and care delivery reforms.

In May 2011, the Committee held a hearing entitled “The Need to Move Beyond the SGR.” This hearing explored the following issues: what is the role of newer payment/delivery

systems now being evaluated; how do you measure quality; how do you pay for value, not volume; and how do you incentivize beneficiaries to make better choices?

In July 2012, the Committee held a hearing entitled “Using Innovation to Reform Medicare Physician Payment.” This hearing examined possible options for how Medicare can use innovative ideas and payment/delivery models from the private sector to reform the current physician payment system.

At the end of the 112th Congress, Congress averted the 26.5 percent reduction in Medicare physician payment rates that was scheduled to go into effect on January 1, 2013. It accomplished this by extending current Medicare physician payment rates through December 31, 2013, at a cost of \$25.2 billion.<sup>1</sup>

During the 113th Congress, on February 14, 2013, the Committee held a hearing entitled “SGR: Data, Measures and Models; Building a Future Medicare Physician Payment System.” The hearing explored the following issues: the flaws of the current volume based physician payment system as described by Medicare Payment Advisory Committee Director Glenn Hackbarth; how to improve health through regional cooperatives and population based models; and how to measure quality and pay for value.

On May 28, 2013, the Committee released a discussion draft that contained various options of what SGR reform could take. The draft was designed to solicit feedback from stakeholders as well as Members of Congress.

On June 5, 2013, the Subcommittee held a hearing on the discussion draft. The Subcommittee heard testimony from health policy experts on how the discussion draft could be improved.

On June 28, the Committee released another discussion draft, which incorporated comments from stakeholders, including the physician community.

## **B. Committee Print**

The SGR repeal and replace policy laid out in the Committee Print has two basic components: the Fee for Service Program (FFS) and Payment Choice Program.

### Fee for Service

- Phase I--Repeal SGR and replace with a 5-year period of stable payments: This 5-year transition away from SGR coupled with payment stability is based on feedback from the medical community and other stakeholders. They expressed a need to have 3 to 5 years in order to develop/test quality measures and clinical practice improvement activities, which will be used for performance assessment during Phase II.

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<sup>1</sup> Medicare's Payments to Physicians: The Budgetary Impact of Alternative Policies Relative to CBO's March 2012 Baseline, available at: <http://www.cbo.gov/publication/43502>.

- Phase II--Update Incentive Program: The period of transition ends with the implementation of an enhanced Physician Quality Reporting System (PQRS) system, which links payments to provider excellence in the delivery of high quality care. All providers who meet or exceed their specialty specific requirements will receive a positive update.

#### Payment Choice Program

Eligible professionals can choose at any time to opt-out of the FFS program and participate in alternative payment models (APMs). These APMs may include, but are not limited to, the following: Patient-Centered Medical Homes, specialty models, and bundles or episodes of care. Providers may submit proposals on an ongoing basis for innovative APMs through a newly developed, streamlined process that encourages high quality, high value healthcare.

#### **STAFF CONTACTS**

If you have any questions regarding the markup, please contact Robert Horne, Steve Ferrara, or Katie Novaria at (202) 225-2927.