



# THE AMERICAN GERIATRICS SOCIETY

## THE CASE FOR SGR REFORM

May 2011

### THE IMPACT OF SGR ON GERIATRICS AND MEDICARE BENEFICIARIES

- If the payment system is not stabilized, geriatricians and other geriatrics health professionals will find it increasingly difficult to maintain their practices since they care only for adults over age 65 and Medicare is their primary payer.
- This will make it even more difficult for the 11 million Americans that we estimate would benefit from the care of a geriatrician to find one.

### THE AMERICAN GERIATRICS SOCIETY ASKS THAT CONGRESS

1. Prevent Medicare payment cuts mandated by the sustainable growth (SGR) rate formula and end the practice of piecemeal and retroactive payment fixes by enacting permanent and meaningful SGR reform
2. **Short-Term Ask – while a permanent solution is being developed, AGS would support a transition period with payment updates that include increases for primary care services furnished to Medicare beneficiaries.**
3. **Long-Term Ask - Replace the flawed SGR and replaced with a more predictable and fairer system of updating physician payments, which appropriately values primary care services, geriatrics expertise and care coordination.**

### HISTORY AND BACKGROUND

The Sustainable Growth Rate (SGR) formula (implemented in 1998) is used to determine payments to physicians and mandates cuts in physician payment rates when growth in outlays for physicians' services exceeds growth in Gross Domestic Product. Because of flaws in how it was built, the formula has mandated physician fee cuts almost every year for the past decade. Several times since 2001, legislation has been enacted to delay cuts mandated under the formula. Temporary relief from cuts year after year has only increased severity of the cuts and raised the cost of enacting a permanent solution. On December 15, 2010, President Obama signed into law a one-year delay of the physician pay cut. If the SGR is not reformed or Congress chooses not to delay further cuts in the fee schedule, fees to physicians and other providers would be cut by 29.4% on January 1, 2012 (nurse practitioners and physician assistants receive 85% of what physicians are paid under the fee schedule).

## GROWING COST OF SHORT TERM SOLUTIONS

Date of CBO Score	Payment Freeze -10 Year Score
March 2005	\$48.6 billion
March 2006	\$127.2 billion
January 2007	\$170.8 billion
March 2007	\$177.7 billion
March 2008	\$220.1 billion
May 2009	\$285 billion

Note: after drugs were eliminated from SGR, cost of freeze dropped to \$210 billion

## CHRONIC PAYMENT PROBLEMS WILL EXACERBATE THE SHORTAGE OF PROFESSIONALS TRAINED IN GERIATRICS

Without a reliable Medicare payment system, which also appropriately values and pays for services delivered to older patients with multiple chronic and complex conditions, the current shortage of geriatricians and other geriatrics health professionals is likely to worsen.

Within the next twenty years, the U.S. population of adults 65 and older will have doubled. As America's 77 million baby boomers age, the need for healthcare professionals trained in geriatrics will be in high demand and in dangerously short supply. In April 2008, the Institute of Medicine (IOM), in its report, "Retooling for an Aging America: Building the Health Care Workforce", concluded that the future healthcare workforce "will be woefully inadequate in its capacity to meet the large demand for health services for older adults if current patterns of care and of the training of providers continue." **The IOM report documents the severe and growing shortage of geriatrics healthcare professionals, and calls for a wide range of options, including payment adjustments under Medicare, to increase recruitment and retention into primary care specialties such as geriatric medicine.**