

# CMS Calls for 4.3% Pay Reduction Next Year

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Physicians face a 4.3% cut to Medicare reimbursements next year unless Congress takes action to change the sustainable growth rate formula.

The reduction was announced in a proposed rule that would update payment rates and revise payment policies under the program's fee schedule. The Centers for Medicare and Medicaid Services is expected to pay approximately \$56.5 billion to 875,000 physicians and other health care professionals in 2006, according to the proposed rule.

"The payment reduction shows the need for more effective ways to pay physicians that help them improve quality and avoid unnecessary costs," CMS Administrator Mark McClellan, M.D., said in a statement.

The agency will accept comments on the proposal until Sept. 30, and publish a final rule later this year.

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Physician reimbursements under Medicare will be cut 26% over the next 6 years unless the SGR [sustainable growth rate] formula is changed. The American Medical Association recently reported that 38% of physicians will no longer be able to accept new Medicare patients if the first of these cuts begins on Jan. 1.

The proposed rule "confirms the need for Congress and the administration to take prompt action to avert the upcoming 4.3% cut from the SGR. This means that the CMS needs to do its part by removing drugs from the SGR formula," Bob Doherty, senior vice president for governmental affairs and public policy for the American College of Physicians, said in an interview.

At a recent hearing of the House Ways and Means subcommittee on health, Dr. McClellan cautioned that removing Part B drugs from the formula would not solve the entire problem, as positive updates would not take place for several years, regardless of whether CMS removed drugs prospectively or retrospectively. In addition, the removal of these drugs would increase beneficiary premiums.

The agency is working with members of Congress, physician organizations, and other health care stakeholders on ways to improve physician payment without adding to overall Medicare costs, Dr. McClellan said in a statement.

"These collaborations build on Medicare's performance-based payment demonstrations, value-based payment reforms implemented in the private sector, and especially promising measures and reform ideas from leading physician organizations," he said.

Physician organizations, in the meantime, called on Congress to reach some consensus on payment solutions.

The ACP, the American Medical Association, as well as other groups support pay-for-performance legislation (H.R. 3617) from Rep. Nancy Johnson (R-Conn.) that would repeal the SGR and would base future updates for physician payments on the Medicare Economic Index (MEI).

This bill differs fundamentally from S.

1356, legislation introduced by Sen. Chuck Grassley (R-Iowa) and Sen. Max Baucus (D-Mont.), which also proposes to link payments to reporting of quality data and demonstrated progress against quality and efficiency measures, but contains no SGR fix.

At press time, Brian Schubert, a spokesman for Rep. Johnson said the congresswoman would be "working very hard on the issue and talking with colleagues ... in the hopes of maintaining quality access

to care for seniors within Medicare." Other topics addressed in the proposed rule include:

- ▶ Revising the methodology used to account for the costs of running a physician's practice.

- ▶ Refining payment adjustments for the malpractice costs associated with specific services. ■

JOYCE FRIEDEN, associate editor for Practice Trends, contributed to this report.

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