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## *Medicare*

### **White House 'Doc Fix' Language Mirrors House Proposal, Raising Hopes for Action**

**L**anguage in President Obama's fiscal year 2014 budget proposal on fixing Medicare's physician payment system is strikingly similar to that being used by House Republicans, which could add further momentum to the drive to adopt a permanent fix this year, according to physician and stakeholder groups.

Stakeholders say language in the White House plan, released April 10, in many ways mirrors that being used by House Republicans on such subjects as allowing for a period of stable payments while new payment models are developed and implemented, and linking payments to the delivery of quality care.

"The administration supports a period of payment stability lasting several years to allow time for the continued development of scalable accountable payment models," the White House budget plan says. "Such models can take different forms, but all will have several common attributes such as encouraging care coordination, rewarding practitioners who provide high-quality, efficient care, and holding practitioners accountable through the application of financial risk for consistently providing low quality care at excessive costs."

The House Energy and Commerce and Ways and Means committees have released the second draft of a permanent physician payment fix plan and say they hope to have legislation on the House floor by the August congressional recess. Their draft contains language on implementing quality of care reimbursement measures that also reward providers for delivering high-quality care (65 HCDR, 4/4/13).

**Significant Similarities.** The language similarities between the White House and congressional proposals "is significant because it means, conceptually, the administration accepts the same path towards a permanent fix as do the House committees of jurisdiction," said Julius Hobson, a policy adviser at Polsinelli Shughart PC in Washington.

The White House language "is also significant because its timing comes early enough in the year to provide momentum towards a final solution," Hobson added. He noted, however, that "as always . . . much will depend on the budget offsets proposed to pay for a permanent fix."

Dan Boston, executive vice president of consultant Health Policy Source Inc., said, "The administration's reinforcing the House Ways and Means and Energy and

Commerce efforts on [the sustainable growth rate formula] can only further reinforce the momentum that can—and should—build behind congressional reform efforts."

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### **Stakeholders say White House language on a Medicare physician pay fix in many ways mirrors that being used by House Republicans.**

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Medicare's sustainable growth rate (SGR) formula is designed to ensure that yearly increases in costs per Medicare beneficiary do not exceed the growth in gross domestic product.

Despite similarities between the permanent physician pay fix proposals by the White House and House Republicans, stakeholders say significant hurdles to creating a new system remain, including how it will be paid for. The Department of Health and Human Services has not devised a way to pay for a "doc fix," an official told reporters April 10 at a press briefing on the budget proposal.

But stakeholders and lawmakers say a new lower-cost estimate for a fix provides the best opportunity in years for action (32 HCDR, 2/15/13). The Congressional Budget Office has lowered by more than \$100 billion the price tag for freezing physicians' pay to \$138 billion over 10 years, due to lower-than-expected Medicare spending (26 HCDR, 2/7/13).

House Republicans have said they are focusing on developing the right doc fix policy before trying to find ways to pay for it, although some lawmakers have suggested that Medicare reforms included in a doc fix bill could save enough money to pay for it.

**Funding Needed.** House Republicans also are wary that including funding provisions opposed by Democrats, such as from the Affordable Care Act, could doom passage of a doc fix bill in the Senate.

Physicians' Medicare reimbursement will be reduced about 25 percent in 2014 unless Congress acts. The physician payment system has produced pay cuts for doctors for about a decade, but Congress has overridden them. A permanent fix repealing the SGR has not been approved by lawmakers in the past, because of cost.

The American Medical Association in a statement praised the White House doc fix language, saying it "aligns with many of the principles developed by the AMA and 110 other physician organizations on transi-

tioning Medicare [from the current payment system] to include an array of accountable payment models.”

“It is critical for physicians to have a period of stability and the flexibility to choose options that will help them lower costs and improve the quality of care for their patients,” AMA said. “We are encouraged that the president and members of Congress are focused this year on eliminating this failed formula and strengthening Medicare for patients now and in the future.”

**White House Committed to Fix.** The White House budget blueprint calls for \$371 billion in Medicare cuts over 10 years, the vast majority from providers, such as hospitals, nursing homes, managed care plans, and home health agencies (70 HCDR, 4/11/13).

The budget also includes a short section on fixing Medicare’s physician payment system that contains language very similar to that being used by House Republicans in their draft proposal (65 HCDR, 4/4/13).

The budget says the White House “is committed to working with the Congress to reform Medicare physician payments to provide predictable payments that incentivize quality and efficiency in a fiscally responsible way.” HHS says it would welcome input from physicians and other professionals in designing these models, a process House Republicans already are engaging in.

Following the period of stability, practitioners will be encouraged to partner with Medicare by participating in an accountable payment model, and over time, the payment update for physicians’ services would be linked to such participation, the budget says.

**Large Payments Possible.** “Those that successfully participate could receive larger payments under Medicare, while those who provide lower quality, inefficient care would receive lower payments,” it says. “To complement these changes, the administration also

supports immediate reforms to improve the accuracy of Medicare’s current physician payment system.”

The House Republican proposal contains similar language. It says that in phase one, the sustainable growth rate formula would be repealed and physicians would be provided an unspecified period of stable payments. In phase two, payment would be based on quality of care measures. Phase three calls for further reform of Medicare’s fee-for-service payment system to account for the efficiency of care provided.

Katie O. Orrico, director of the Washington office of the American Association of Neurological Surgeons, told BNA that the White House language “appears to describe” the House proposal “in a nutshell.”

“The devil is always in the details, but it is definitely positive that all parties to this discussion are uniform in calling for the elimination of the SGR, they recognize that the medical profession will need a period of stability to ramp up and transition into a new payment system, and that it is imperative that physicians, not the government, should be designing the new quality payment system,” Orrico added.

“Many unanswered questions as to how these payments will be structured remain, but the process seems to be moving in the right direction,” she said.

Dan Elling, former Ways and Means Health Subcommittee majority staff director, agreed, saying the White House language is “a very good sign.” But like Orrico, Elling said fleshing out the details of a proposal will be the most difficult step in developing legislation.

“But it’s better than the White House running in a different direction,” Elling, a senior policy adviser for Alston & Bird LLP, said.

By STEVE TESKE

*The budget document is at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/health.pdf>.*