**Sustainable Growth Rate (SGR)**

**Summary**

The Medicare Sustainable Growth (SGR) formula was enacted by Congress as part of the Balanced Budget Act of 1997 (BBA). The formula limits growth in spending for physicians’ services by linking updates to target rates of spending growth. A critical factor in the determination of the target rate is projected growth in the real gross domestic product (GDP) per capita. The law provides for a mechanism for enforcement of the target rate of growth. When spending increases exceed the targeted rate of growth, payments are automatically reduced across the board.

The SGR formula does not control volume and, in fact, cuts payments without regard to the quality or efficiency of care provided by an individual physician. Every year since 2001, the current, fatally flawed SGR formula has threatened to impose steep cuts in Medicare physician fee schedule payments for care provided to America’s seniors. While Congress typically acts to avert payment reductions, the average Medicare payment rate this year is essentially the same as it was in 2001. By consistently postponing the cuts, Congress has dug a hole that has resulted in an estimated 25 percent scheduled cut in January 2014 while the cost to dig out of this hole has grown significantly.

A major impediment to SGR reform has been the high cost of a complete repeal of this formula. The cost has come down significantly from $245 billion in 2012 to $138 billion in February, 2014 when the Congressional Budget Office provided an official cost estimate of legislation introduced in the House and Senate, H.R. 4015/S. 2000, the SGR Repeal and Medicare Provider Payment Modernization Act of 2014. This reduction in the cost has improved the likelihood of enactment of SGR repeal, especially in this very tight budget environment.

ACP has long-advocated that the flawed SGR formula needs to be repealed and replaced with positive, predictable and permanent payment updates. While the SGR produces/threatens annual Medicare payment cuts that harm all physicians, the adverse impact on primary care practices can be devastating. With the dark cloud of the SGR hanging over their heads, these practices are not only unable to invest in the capability to enhance care coordination; they struggle to even keep their doors open to patients.

There are on-going efforts by some members of Congress, to prevent the cuts from happening and explore possible comprehensive solutions to the SGR dilemma:

- On Feb. 6, 2014, House and Senate negotiators introduced H.R. 4015/ S. 2000, the SGR Repeal and Medicare Provider Payment Modernization Act of 2014. The legislation represents a bipartisan, bicameral agreement, among the three committees in Congress with jurisdiction over Medicare, on comprehensive legislation to repeal the Sustainable Growth Rate and move toward a value-based payment and delivery system. See [ACP comprehensive crosswalk analysis of the SGR Repeal and Medicare Provider Payment Modernization Act](https://www.thecp.org).
On Dec. 18, 2013, the Senate followed the House in passing a budget agreement that included a 3-month delay of a nearly 25 percent SGR cut that was slated for Jan. 1, 2014. The agreement included a 0.5 percent payment update for those three months. The President signed the budget agreement into law. The next SGR cut is scheduled for April 1, 2014, unless Congress intervenes.

On December 12, 2013, the House Ways and Means Committee approved (H.R. 2810), the SGR Repeal and Medicare Beneficiary Act of 2013, to repeal the SGR and transition to new value-based models of care. The legislation would provide a 0.5 percent update in physician payments from 2014 through 2016 and maintain stable payments through 2023. In 2024 and subsequent years, all Medicare professionals would be provided annual updates of one percent; those in alternative payment models (APMs) would receive two percent. See ACP’s “Crosswalk of the Finance-Ways & Means SGR-Repeal bill as reported out of the committees on Dec. 12.”

On December 12, 2013, the Senate Finance Committee approved its version of comprehensive SGR-repeal legislation, with many components similar to that approved by the Ways and Means Committee.

On July 31, 2013, the House Energy and Commerce Committee approved legislation, the Medicare Patient Access and Quality Improvement Act of 2013 (H.R. 2810), to repeal the SGR and transition to new value-based models of care. The legislation would provide a 0.5 percent update in physician payments through 2018. Then, in 2019, it would replace the SGR formula with a system that ties payments to quality reporting metrics with incentives for physicians to move into new payment models. To view ACP’s letter to the committee, please visit: http://www.acponline.org/advocacy/where_we_stand/assets/acp_letter_ec_sgr_2013_leg_proposal.pdf

The Medicare Physician Payment Innovation Act (MPPIA) – On February 6, 2013, Representative Allyson Schwartz (D-PA), along with Reps. Joe Heck (R-NV), re-introduced the Medicare Physician Payment Innovation Act (H.R. 574), a slightly modified version H.R. 5707, as introduced in 2012, which would eliminate the SGR once and for all and transition to better payment and delivery systems that are aligned with value. Specifically, this legislation would repeal the SGR formula, provide more than 5 years of stable physician payments, with positive increases for all physician services, and higher payments for primary care, preventive and care coordination services, and establishes a process for practices to transition to new, more effective, models of care by 2019.

Resources

**Sign-on letter to Senate Leadership regarding support for H.R. 4015/S. 2000, The SGR Repeal and Medicare Provider Payment Modernization Act of 2014 (5-Mar-14)**

**ACP comprehensive crosswalk analysis of the SGR Repeal and Medicare Provider Payment Modernization Act (27-Feb-14)**

**Frequently-Asked-Questions (FAQs) about the SGR Repeal and Medicare Provider Payment Modernization Act (25-Feb-14)**

**ACP snapshot analysis of the SGR Repeal and Medicare Provider Payment Modernization Act (H.R. 4015/S. 2000) (24-Feb-14)**

**ACP identifies top improvements over current law in the SGR Repeal and Medicare Provider Payment Modernization Act (21-Feb-14)**

**Joint Internal Medicine/Subspecialty letter to House leaders in support of the SGR Repeal and Medicare Provider Payment Modernization Act (20-Feb-14)**

**Sign-on letter to congratulate House and Senate negotiators on the introduction of HR 4015/S 2000, the "SGR Repeal and Medicare Provider Payment Modernization Act of 2014" (11-Feb-14)**

**ACP letter to Medicare Committees regarding PCMH incentives in SGR-repeal legislation (4-Feb-14)**

**ACP comment letter regarding the Medicare Physician Fee Schedule, and other revisions, for CY2014 (27-Jan-14)**

**Crosswalk of the Finance-Ways & Means SGR-Repeal bill as reported out of the committees on Dec. 12 (12-Dec-13)**

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For more information on ACP’s positions, please visit the Advocacy section of ACP Online, [http://www.acponline.org/advocacy/](http://www.acponline.org/advocacy/).