

Senate Grants Temporary Reprieve in Medicare Payment Cuts

Over the past decade, physicians have become used to the regular reappearance of the looming threat of a drastic reduction in Medicare reimbursement. Although the reductions are mandated by Congress' own action, Congress has developed its own ritual of pushing off the cuts for another time. Such a delay is currently in the works.

The culprit is the Medicare Sustainable Growth Rate (SGR). Under the Balanced Budget Act of 1997, Medicare uses SGR to control costs by mandating that the annual increase in the expense per Medicare beneficiary does not exceed the growth in GDP. Every year, the Medicare Program reports its steadily growing costs, which leads to a "conversion factor" that is supposed to decrease payments for the next year. This year, the mandated reduction is over 21%. It is due to be implemented December 1, 2010.

Last week, the Senate initiated the latest delay, voting to postpone the cut. The measure still requires House approval, which is scheduled for November 29, a week from today. The planned extension is one year. Finance Committee Chair Max Baucus and his Republican counterpart, Charles Grassley, have expressed optimism that a solution can be worked out to revise the payment system and resolve this issue. Those with less optimism may want to mark their calendars for an eleventh hour postponement in 2012.