Summary of Bipartisan, Bicameral SGR Reform Legislation

The Senate Finance, House Ways and Means and House Energy and Commerce Committees released a bipartisan and bicameral compromise on repealing the flawed Sustainable Growth Rate (SGR) formula and implementing physician payment reforms under Medicare. Highlights of the SGR Repeal and Medicare Provider Payment Modernization Act of 2014 (S. 2000/H.R. 4015) are as follows:

- Immediate and permanent repeal of the SGR

- Positive annual updates (i.e. reimbursement increases) of 0.5% would be provided from 2014 to 2018, no annual updates would be provided from 2018 to 2022, and positive annual updates of 0.5% would be provided from 2023 onward.

- A Merit-Based Incentive Payment System (MIPS) is established that collapses three current incentive payment programs - Physician Quality Reporting System (PQRS), Value-Based Modifier (VBM), and Electronic Health Records Meaningful Use (EHR MU) - and incorporates key elements of each into one program for physicians beginning in 2018. MIPS would assess four areas: quality, resource use, clinical practice improvement, and EHR MU. Physicians would receive a composite weighted performance score annually based on their performance in each category. Payment adjustments would be calculated based on an annual national performance threshold.

- Medical associations are given the ability to identify and submit quality measures to the Centers for Medicare and Medicaid Services (CMS) for potential inclusion in the MIPS.

- Physicians are given flexibility to participate in the MIPS in a way that best fits their practice environment.

- $200 million in technical assistance is authorized from 2014 to 2018 to help practices with 15 or fewer professionals improve MIPS performance or transition to Alternative Payment Models (APMs) (e.g., bundled payment models, ACOs, patient-centered medical home models, etc).

- A 5% bonus is awarded beginning in 2018 to physicians who participate in APMs with a base threshold of Medicare patients. These physicians are excluded from the MIPS. An independent Technical Advisory Committee will assess physician-focused APM proposals.

- Additional provisions are included regarding chronic care coordination, the targeting of misvalued services, and the sharing/publicizing of physician services.

The bill is estimated to cost at least $120 billion and contains no offsets. Offset discussions will continue in the coming couple of weeks and will ultimately determine whether there is a vote on the bill. Failure to pass this legislation will trigger future SGR "patches" in which physician payment reductions are likely. The Obama administration has yet to weigh in on the bill.