



BUDGETARY TREATMENT OF H.R. 3961, THE MEDICARE PHYSICIAN PAYMENT REFORM ACT

H.R. 3961, *the Medicare Physician Payment Reform Act*, will prevent a 21 percent cut in Medicare physician payment rates scheduled for January 2010. Instead of temporarily overriding the cut as Congress has done six times before, H.R. 3961 will replace the broken Sustainable Growth Rate (SGR) formula, correcting a decade of Republican mismanagement of the Medicare program with a permanent, sustainable solution. Ultimately, the legislation protects access to physicians for Medicare beneficiaries and members of the military and their families since physician payment rates in TRICARE are tied to those used by Medicare.

HONEST BUDGET SOLUTION

- **Even though Congress has consistently intervened to prevent this 21 percent cut, CBO assumes that the cuts will take place.** This assumption makes future Medicare spending appear lower than it will be, and presents a misleading picture of budget deficits.
- **If Congress does not replace the SGR with a long-term solution and instead pursues another short-term patch, physicians in Medicare will be faced with even deeper cuts to payment rates** that continue to make deficits look smaller, but CBO's score for fixing the formula permanently will continue to increase.
- **CBO and CMS Chief Actuary acknowledge that their Medicare baselines are “speculative” and “should be interpreted cautiously”** because neither office takes account of the secondary effects of the projected cuts, such as a sharp reduction in access to physician services, increased use of emergency room and other hospital services, increase in Medicare Advantage enrollment, and an increase in mortality rates among Medicare beneficiaries. If fully included, these secondary effects could increase the Medicare baseline by tens of billions of dollars.

FISCALLY RESPONSIBLE

- **The cost of the bill is already included in the House-passed and President's budgets.** This money represents the ongoing care and maintenance of the Medicare program.

- **The legislation fully complies with the House-passed PAYGO requirements** because the PAYGO legislation explicitly accommodates physician reform legislation that is designed to maintain current spending. As such, the bill, while it contains new reforms, represents continuation of an existing policy rather than new spending. H.R. 3961 will be coupled with Statutory PAYGO legislation when it is sent to the Senate.
- **The cost of addressing this problem will only grow in the future.** In 2005 a permanent freeze for physician payments was scored as costing \$48.6 billion; today, a policy with a similar score costs \$210 billion. Delays today mean larger and larger price tags in the future and continuing damage to the Medicare program.

H.R. 3961 is supported by a wide range of organizations representing patients, doctors and other providers, including the American Medical Association, AARP, the Military Officers Association of America, the American Academy of Family Physicians, the American College of Physicians, the American College of Surgeons, the Center for Medicare Advocacy, the Medicare Rights Center, and the National Committee to Preserve Medicare and Social Security.

[Click here](#) for a fact sheet on H.R. 3961.

[Click here](#) for a list of supporting organizations.