

# Working Framework of SGR Package

*Prepared by the Staff of the House Energy and Commerce and Ways and Means Committees*

**Repeal and Replace Medicare Physician Payment System.** The legislation repeals the flawed SGR formula and replaces it with HR 1470, the bicameral, bipartisan agreement that moves the Medicare payment system toward improved value and returns stability to physician payments. The SGR formula is a cap on aggregate spending on physicians' services where exceeding the cap resulted in punitive recoupments in subsequent years. The formula was passed into law in the Balanced Budget Act of 1997 to control physician spending, but it has failed to work. Since 2003, Congress has spent nearly \$170 billion in short term patches to avoid unsustainable cuts imposed by the flawed SGR. The most recent patch will expire on March 31. For additional details on HR 1470, see [here](#).

**Children's Health Insurance Program (CHIP).** This provision preserves and extends CHIP, fully funding the program through September 30, 2017.

**Medicare, Medicaid, and Other Health Extenders.** The legislation extends all of the extenders included in the Protecting Access to Medicare Act of 2014 (PAMA, the most recent SGR patch) in addition to funding for Community Health Centers through 2017. Additionally, it would permanently extend the Qualifying Individual (QI) program, which helps low-income seniors pay their premiums and the Transitional Medical Assistance (TMA) program, which helps families on Medicaid maintain their coverage for one year as they transition from welfare to work. The Tennessee Disproportionate Share Hospital (DSH) Allotment would be extended through 2025.

**Other Medicare Reforms.** This legislation includes two bipartisan Medicare bills: (1) Medicare DMEPOS Competitive Bidding Improvement Act (HR 284), which makes modifications to the Medicare durable medical equipment, prosthetics, orthotics, and supplies competitive acquisition program and (2) The Protecting Integrity in Medicare Act (HR 1021), which strengthens Medicare's ability to fight fraud and builds on existing program integrity policies.

**Savings.** The policies that reduce the legislation's cost include the following:

- (1) **Income-related Premium Adjustment.** Starting in 2018, this policy would increase the percentage that beneficiaries pay toward their Part B and D premiums in two income brackets (roughly 2 percent of beneficiaries): for individuals with income between \$133.5-160K (\$267-\$320K for a couple), the percent of premium paid increases from 50 percent to 65 percent. For those with income between \$160-214K (\$320-\$428K for a couple), the percent increases from 65 percent to 75 percent.
- (2) **Medigap Reform.** The proposal limits first dollar coverage on certain Medigap plans by prohibiting plans from covering the Part B deductible. Change applies only for future retirees starting in 2020.
- (3) **Increase Levy Authority on Payments to Medicare Providers with Delinquent Tax Debt.** This provision will permit the IRS to impose a levy of up to 100 percent on tax delinquent Medicare service providers.
- (4) **Hospital Update.** Under current law, hospitals will receive a 3.2 percentage point adjustment in addition to their base payment rate in FY18. This policy would phase-in this update incrementally and prohibit CMS from collecting a recoupment from 2010.
- (5) **Additional Medicaid DSH Savings.** Currently, reductions in state DSH allotments are scheduled to begin in FY2017. This policy would delay Medicaid DSH changes until FY2018 and extend the policy through 2025.
- (6) **1 Percent Market Basket Update for Post-Acute Providers.** This policy replaces the market basket update in 2018 with a one percent update for long-term care hospitals (LTCHs), skilled nursing facilities (SNFs), inpatient rehabilitation facilities (IRFs), home health providers (HH), and hospice providers.