

## MEDICARE PHYSICIAN PAYMENT REFORM

Family physicians are the main source of primary health care for the Medicare population. Sixty percent of people aged 65 and older identify a family doctor as their usual source of care. In addition, rural and Hispanic seniors are more likely to identify a family physician as their primary health care provider. Yet a fundamental flaw in the Medicare payment formula risks the continued provision of this life-giving care.

The reimbursement formula (known as the **Sustainable Growth Rate (SGR)**) is flawed, resulting in recommended annual decreases in payment rates for physicians and other Medicare providers. Currently, CBO is predicting a 9.9 percent decrease in payment rates for physicians and other Medicare providers in 2008. Moreover, because of the cumulative nature of the arcane formula, annual decreases in the 5 percent range are projected for many years into the future. This payment rate threatens the stability and quality of Medicare.

Every year, Congress has acted at the last minute to override the flawed formula, leaving physicians to grapple with rates that fall behind inflation. Every year, seniors endure months of not knowing whether Medicare will continue paying for all the care they need. Every year, family physicians endure months of not knowing whether they can afford to keep treating Medicare patients in the year ahead.

It's time to replace the flawed formula – to restore health security for millions of seniors and financial stability to thousands of primary care practices. It's time to shape how Medicare reimburses providers to bring about critical improvements in the health care system.

### RECOMMENDATION

The AAFP supports the recommendation of the Medicare Payment Advisory Commission (MedPAC) to repeal the flawed SGR formula and base the conversion factor on the Medicare Economic Index (MEI). Further, we recommend:

- A blended model of payment combining fee-for-service reimbursement system plus a per-beneficiary, per-month **stipend for care management**, paid directly to each patient's designated medical home, that has achieved recognition by an independent third party to deliver high quality preventive and chronic care with improved outcomes for Medicare beneficiaries.
- That Congress promote the adoption of **electronic health records (EHR)** by ensuring privacy protections for patients; providing financial incentives and technical assistance to small- to medium-sized primary care physician practices; and promoting standards for portability and interoperability to ensure all health information technology systems can seamlessly and securely transfer health data.
- That **pay-for-performance programs** occur in the context of positive annual updates; that they reward physicians for reporting the "starter set" of performance measures being developed by a consortium of payers and physicians; and that such programs do not force physicians to compete for limited withholds.