



The Annual Cliffhanger

Congressional brinksmanship with Medicare payments returns

By Darryl M. Drevna, M.A.

The repeal of the sustainable growth rate (SGR) in 2015 represented an end to the annual scramble to prevent Medicare provider reimbursement cuts. Unfortunately, Congress has not learned the lessons from that era of policy making. Through a series of blunt statutory budgetary instruments,

Congress has deferred action until the end of the year, signaling that it is increasingly likely the era of annual legislation on possible payment cuts has returned.

As of press time, providers faced cuts from statutory Pay-As-You-Go (PAYGO) rules, the Medicare sequester, and a decrease in the Medicare

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conversion factor. Any legislative solution likely will be a short-term fix, creating a situation in which AMGA members, for the near future, face a “fiscal cliff” at the end of each year.

AMGA is relentlessly advocating against these cuts. However, AMGA members should recognize these cuts are not a short-term or one-time threat, but rather likely represent an ongoing problem that will reoccur on an annual basis. PAYGO, the sequester, and conversion factor decreases have the potential to act similarly to the SGR, creating a constant threat to the stability of AMGA members’ finances that Congress will need to address annually.

The SGR Fix

Congress enacted the Medicare SGR as part of the Balanced Budget Act of 1997. Designed as a budget control mechanism, the SGR included a formula that would prevent Medicare spending growth for physician services from surpassing gross domestic product (GDP) growth. In the event overall healthcare spending outpaced GDP growth, the SGR would automatically trigger reimbursement cuts for Medicare providers. Recognizing the harm to the Medicare program, providers, and beneficiaries that such cuts would create, Congress instead repeatedly voted—through the so-called Medicare “doc fix” legislation—to cancel the SGR cuts. Overall, Congress passed “doc fix” measures 17 times from 2003 through 2014 to cancel the SGR cuts.

While “doc fix” legislation provided an annual short-term solution, it added needless uncertainty into AMGA members’ financial situation and budget forecasting processes. There was no guarantee Congress would act; despite the votes to cancel it, implementation of the SGR remained a real possibility. The threat of these cuts, along with the ongoing need and desire to prevent them, contributed to the formula’s eventual elimination in the Medicare Access and CHIP Reauthorization Act (MACRA).

Stop the Cuts

AMGA recognizes the danger this situation poses to our membership. Our immediate concerns and

emphasis are preventing the cuts from occurring. To this end, we will continue to oppose reimplementation of the Medicare sequester, a policy that automatically would cut Medicare reimbursements by 2%. Like with the SGR, Congress last year voted to halt these cuts temporarily, but the moratorium on the sequester ends at the end of 2021.

Regarding PAYGO budget requirements, providers also face a potential 4% cut to Medicare payments beginning January 1, 2022. This 4% cut amounts to \$36 billion for Medicare providers, which could have a substantial impact on the delivery of care.

Providers also are facing an additional cut due to changes in the Medicare conversion factor. As of press time, the Centers for Medicare & Medicaid Services (CMS) proposed decreasing providers’ payments by 3.75% through the Medicare conversion factor as part of a change to Evaluation and Management (E/M) codes designed to increase support for primary care services.

Combined, the three cuts amount to close to 10% in Medicare cuts. AMGA expects any reprieve to last a year, raising the specter of an SGR-style problem.

Annual Cliffhanger

As AMGA members evaluate their fiscal landscapes, it will be important to factor in a series of short-term “fiscal cliffs” caused by how Congress operates. Absent an unlikely and unexpected long-term budget deal that addresses these cuts, Congress will need to cancel or delay a series of Medicare cuts on an annual basis. Should Congress fail to act, these cuts implement automatically, largely outside the control or influence of regulators. AMGA will continue to oppose these cuts and recommends that AMGA members explain to their congressional representation how these cuts—and the uncertainty surrounding them—undermine their ability to plan and budget for the future. [GPJ](#)

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