President Signs Into Law Changes to Medicare Physician Reimbursement Formula

SUMMARY

On April 16, 2015, President Obama signed into law the Medicare Access and CHIP Reauthorization Act of 2015 (“the Act”). The national headlines about the Act’s passage focused on the repeal of the sustainable growth rate (“SGR”) formula and the avoidance of a 22 percent reduction in Medicare payments to physicians. The SGR was initially enacted in 1997 and for the past decade Congress has had annual debates about fixing the SGR formula to postpone reductions in Medicare payments. The Act goes well beyond repealing the SGR formula.

In addition to repealing the SGR formula, the Act (at 95 pages in length) made other changes that will impact the health care delivery system. The Act continues the federal government’s movement towards “modernization” of Medicare through a list of changes including the following:

- increases the Medicare single conversion factor by .5 percent annually from July 1, 2015 through December 31, 2019;
- creates a new Merit-Based Incentive Payment System beginning January 1, 2019 based upon four categories: quality; resource use; clinical practice improvement activities; and meaningful use of electronic health records (EHRs);
- creates a Physician-Focused Payment Model Technical Advisory Committee to review and recommend new payment models;
- adds incentive payments for participation in so-called Alternative Payment Models tested by the Center for Medicare and Medicaid Innovation;
- encourages care management for individuals with chronic care needs by offering financial incentives;
- expands the availability of Medicare data;
- permits physicians to have automatic continuation of two-year opt-out periods from participation in Medicare;
- declares a national objective to achieve widespread exchange of health information through interoperable certified EHR technology nationwide by December 31, 2018;
- extends funding for the Children’s Health Insurance Program for two fiscal years;
- prohibits Medicare cards, by a date no later than four years from the date of signing the Act (April 16, 2015), from including the beneficiary’s Social Security number; and
- requires the Secretary of the U.S. Department of Health and Human Services and the Office of Inspector General to submit a report to Congress within a year that includes options to permit gainsharing arrangements between hospitals and physicians.
Hospitals, physicians and participants in the health care delivery system should review the Act and plan accordingly as the Act’s provisions are implemented.

Saul Ewing attorneys will continue to monitor the implementation of the Act. If you have any questions about the Act or this Alert, please contact the authors or the attorney at the firm with whom you are regularly in contact.