

MEMORANDUM

To: Reporters and Editors
From: Dan Virkstis for Finance Chairman Max Baucus (D-Mont.)
Re: likely structure of physician payment "fix" proposal

Please be advised of the facts regarding the structure under consideration for blocking payment cuts to physicians – also used in the last two Medicare bills (Tax Relief and Health Care Act of 2006 and Medicare, Medicaid, and SCHIP Extension Act of 2007) – which pays for the cost of blocking the cut for the time period of the "fix," but does not spend money to reduce the cuts scheduled for subsequent years. Phrases like "balloon financing" suggest that this approach defers present costs to a future date or makes subsequent cuts steeper or more expensive to fix than they otherwise would be. This is not the case.

A bill using this approach could block the SGR cuts in a fully funded manner for the period of the 18-month fix. It would not allocate funding toward future year cuts. Because of the SGR, these cuts are now set in law for the next eight to nine years – simply put, the 21% cut in 2010 is exactly what would happen if Congress does nothing. It would not be a result of this structure. While such out-year "cliffs" are undesirable, the cost of blocking them does not increase if they are addressed after this year.

Chairman Baucus intends to pursue an 18-month fix this spring, which will be longer than the previous three fixes (dating back to the Deficit Reduction Act). Getting an 18-month fix will be very difficult, however, because all potential offsets are controversial. That is why Chairman Baucus is calling on physicians to join him in fighting for it, recognizing that it is by far the best of all possible policy outcomes this spring. In his subsequent series of hearings on comprehensive health reform, Senator Baucus will call on rational voices to explore and craft more meaningful methods of improving and reforming how our healthcare system pays for medical care.