

Medicare's Payment to Physicians: the Budgetary Effects of Alternative Policies

Relative to CBO's April 2014 Baseline updated for the Final Physician Fee Schedule Rule^a

(billions of dollars, by fiscal year)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2019	2015-2024
REPLACE THE SUSTAINABLE GROWTH RATE WITH SPECIFIED UPDATES												
Freeze current payment rates through 2024	6.2	8.6	10.2	10.4	11.1	12.1	13.3	14.9	15.7	16.3	46.5	118.9
Increase payment rates by 0.5 percent for April through December of 2015, then 0.5 percent update each year through 2024	6.3	9.1	11.1	11.7	12.7	14.3	16.0	18.3	19.8	21.0	50.9	140.2
Increase payment rates by the MEI for April through December of 2015, then the MEI update each year through 2024	6.4	9.5	12.7	14.5	17.1	20.6	24.4	29.2	33.1	36.7	60.2	204.3
<i>Note: CBO's MEI Projection</i>	<i>0.8%</i>	<i>1.7%</i>	<i>2.2%</i>	<i>2.2%</i>	<i>2.4%</i>	<i>2.5%</i>	<i>2.3%</i>	<i>2.3%</i>	<i>2.4%</i>	<i>2.3%</i>		
Updated estimate of H.R. 4015 and S. 2000 as introduced on February 6, 2014 (b)	6.4	9.2	11.2	11.8	13.9	15.2	16.8	18.6	19.8	20.9	52.6	144.0
CLIFF OPTIONS^c												
Freeze current payment rates through end of 2015 (nine months) <i>cliff: -17% in 2016</i>	6.2	3.5	0.5	0.7	0.7	0.6	0.4	0.4	0.3	0.3	11.6	13.6
Freeze current payment rates through end of calendar year 2016 (21 months) <i>cliff: -14% in 2017</i>	6.2	8.6	6.1	2.1	1.6	1.6	1.5	1.5	1.4	1.3	24.7	32.0
0.5 percent update for April through December of 2015 (nine months) <i>cliff: -18% in 2016</i>	6.3	3.7	0.5	0.6	0.5	0.4	0.3	0.2	0.1	0.1	11.7	12.6
0.5 percent update for April through December of 2015 and for calendar year 2016 (21 months) <i>cliff: -15% in 2017</i>	6.3	9.1	6.5	2.2	1.5	1.4	1.3	1.2	1.1	1.1	25.6	31.7
MEI update for April through December of 2015 (nine months) <i>cliff: -18% in 2016</i>	6.4	3.7	0.5	0.7	0.7	0.5	0.4	0.2	0.1	0.1	12.0	13.3
MEI update for April through December of 2015 and for calendar year 2016 (21 months) <i>cliff: -16% in 2017</i>	6.4	9.5	7.2	2.2	1.3	1.1	1.0	0.8	0.8	0.7	26.7	31.2

Notes:

Components may not sum to totals because of rounding.

Under current law, fees that physicians receive for their services will be reduced by about 21 percent on April 1, 2015. The starting date for all of these alternative policies would be April 1, 2015.

a. On October 31, 2014, the Centers for Medicare and Medicaid Services (CMS) issued a final rule in which CMS announced the update to the conversion factor for the Physician Fee Schedule (PFS) under Medicare will be a reduction of 21.2 percent for services furnished between April 1, 2015, and December 31, 2015.

The revised reduction in payment rates for April to December of calendar year 2015, as well as other information provided in the final rule, change CBO's projections of Medicare payment rates for services provided on the PFS for 2015 and for future years. Following long-standing practice, CBO will incorporate that information in its next regular baseline update. It will also immediately take that information into account when analyzing legislation

b. H.R. 4015 and S. 2000, the SGR Repeal and Medicare Provider Payment Modernization Act of 2014, are identical bills introduced on February 6, 2014. This updates the CBO cost estimate of that legislation for the April 2014 baseline—which incorporates H.R. 4302, the Protecting Access to Medicare Act of 2014 (Public Law 113-93), enacted on April 1, 2014—and the final physician fee schedule rule. H.R. 4302 contained two provisions which changed CBO's estimate for H.R. 4015 and S. 2000. That legislation extended the current payment rate for physician services through March 31, 2015, and modified the budget neutrality requirement for changes to the relative value of certain services in a manner similar to Section 5 of H.R. 4015 and S.2000.

c. In these cliff options, the legislation would specify the payment rate update for either 9 or 21 months. The payment rate in the year immediately following the period in which the payment rate is overridden would be set as if the override had not happened.