

1 **VMS RESOLUTION**
2 **REPEAL OF MEDICARE'S SUSTAINABLE GROWTH RATE**
3 **REIMBURSEMENT FORMULA**

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5 *Adopted at 191st VMS Annual Meeting, October 23, 2004*
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7 Whereas, Medicare pays for services provided by physicians and numerous other health
8 care professionals on the basis of a payment formula that is updated annually in
9 accordance with a sustainable growth rate (SGR); and

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11 Whereas, Physicians are penalized with lower payments when utilization of services
12 exceeds the SGR spending target, yet, according to CBO, recent increases in Medicare
13 utilization are due to: "increased enrollment, development and diffusion of new medical
14 technology" and "legislative and administrative" program expansions -- factors that are
15 often beyond physicians' control; and

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17 Whereas, Payments under the SGR formula are tied to the gross domestic product
18 which bears no relationship to patients' health care needs or physicians practice costs;
19 and

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21 Whereas, The flaws in the SGR formula led to a 5.4% physician payment cut in 2002;
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24 Whereas, An additional 4.5% Medicare physician pay cut for 2004 and another severe
25 cut in 2005 were averted only after Congress intervened with a modest 1.5% positive
26 update in each of these years; and

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28 Whereas, The Medicare Trustees have projected that physicians and other health
29 professionals face pay cuts of 5% a year from 2006 through 2012; and

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31 Whereas, The result, according to 2004 Annual Report of the Medicare Board of
32 Trustees, is a cumulative reduction of more than 31 percent in physician payment rates
33 2005 through 2012, while medical practice costs (MEI) during that time frame are
34 expected to increase by 19 percent; and

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36 Whereas, The Medicare Payment Advisory Commission (MedPAC) has recommended
37 that the SGR be replaced with a system where updates are based on an assessment of
38 increases in practice costs, adequacy of payment rates, and beneficiaries' access to care;
39 and

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41 Whereas, In 2000, Vermont received the lowest Medicare payments per beneficiary of
42 any state -- while at the same time it received the country's second highest health
43 quality ranking for Medicare beneficiaries; and

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45 Whereas, A physician access crisis is looming for Vermont's Medicare patients unless
46 action is taken to enact a long-term solution to the current SGR physician payment
47 formula; therefore be it

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Resolved, That the Vermont Medical Society urges our Congressional delegation to enact legislation blocking Medicare physician reimbursement reductions from 2005 through 2012; and be it further

Resolved, That the Vermont Medical Society urges our Congressional delegation to enact legislation repealing Medicare's sustainable growth rate reimbursement formula and replacing it with a system where updates are based on an assessment of increases in practice costs, adequacy of payment rates, and beneficiaries' access to care; and be it further

Resolved, That the Vermont Medical Society urges the American Medical Association to make the reform of Medicare's physician reimbursement system one of its highest legislative priorities.