



March 3, 2010

Dear Valley Health Care Network Member Physicians:

Below is a letter from the office of Senator John Cornyn regarding the status and ongoing activities surrounding the recently effective Medicare and Medicaid reimbursement rate cuts. We hope you find the information helpful.

As you know, Medicare's sustainable growth rate (SGR) formula will result in a 21 percent cut to the physician fee schedule starting Monday, March 1st. I understand this is a very serious problem, which will have a profound impact on patient care and your ability to effectively manage your medical practices. Senator Cornyn continues to value your feedback about the SGR and fully agrees that a real, permanent solution is critical. The purpose of this email is to share with you the events that have taken place up until now and to share what I know about the next steps. I realize this is a very frustrating time.

The SGR has resulted in a negative update for physician reimbursement every year since 2002, and with the exception of that first year, the negative updates have been prevented every single time by legislative action. **We fully expect this issue to be resolved again this time.** Every time the cuts have been prevented, Congress has found ways to pay for those fixes. The SGR is now a \$200 billion-plus problem (which the Administration's [Office of Management and Budget](#), Table S-7 on page 158, estimates may actually be a \$371 billion problem), and at a time of a record \$1.3 trillion federal budget deficit and a \$12 trillion national debt, there are no easy answers.

There were attempts to address the SGR problem during consideration of health care reform, including Senator Cornyn's proposed 3-year fix during the Finance Committee markup which was rejected along party lines. More recently, there was [bipartisan agreement](#) between Senators Baucus and Grassley to fully pay for a 7-month fix as part of a bipartisan jobs bill. That 7-month fix could have given sufficient time to find a lasting, bipartisan solution to the SGR problem. Unfortunately, the Senate Majority Leader objected to including this bipartisan fix in what became a [highly partisan jobs bill](#). This past week, there was another partisan effort to pass 30-day SGR "patch" along with some other legislation, but this \$10.2 billion bill was not paid for and is not a lasting solution. Unfortunately, partisanship has meant that Congress did not act to fix the SGR before March 1st.

It is still very possible that Congressional leadership comes together to solve the problem in the next week or two. Under consideration are taking up the bipartisan agreement for a 7-month fix, passing a fully offset 30-day patch, or some other reasonable option. Please don't hesitate to contact me for updates on this over the next few days.

Until a fix is enacted, there are some administrative actions that the Center for Medicare and Medicaid Services (CMS) can and is taking to mitigate the disruptions.

Yesterday afternoon (February 26), CMS announced it would delay processing claims for the first 10 business days of March. **If Congress is able to address the issue within those 10 days, CMS will be able to reimburse under the "fixed" physician fee schedule and avoid the 21 percent cuts altogether.** CMS stated, "The Centers for Medicare & Medicaid Services (CMS) is working with Congress, health care providers, and the beneficiary community to avoid disruption in the delivery of health care services and payment of claims for physicians, non-physician practitioners, and other providers of services paid under the Medicare physician fee

schedule (MPFS). The Department of Defense Appropriations Act of 2010 provided a zero percent (0%) update to the 2010 MPFS effective for dates of service January 1, 2010, through February 28, 2010. We believe Congress is working to avoid the negative update that will take effect March 1, 2010. Consequently, CMS has instructed its contractors to hold claims containing services paid under the MPFS for the first 10 business days of March. The holding of MPFS claims will only affect claims with dates of service March 1, 2010, and forward. This hold should have a minimum impact on provider cash flow because, under current law, clean electronic claims are not paid any sooner than 14 calendar days (29 for paper claims) after the date of receipt.”

If Congress cannot resolve the problem during those 10 business days, the 21 percent cuts will go into effect. A few years ago, Congress failed to act before the cuts went into effect, but did finally enact a fix. That year the fix was applied to reimbursements retroactively, and it is possible that this could happen again. Of course, this is not an ideal scenario.

Please do not hesitate to contact me, if I can answer any questions or be of any assistance. I understand this is frustrating and it illustrates the problems with Washington running health care programs.

Sincerely,
Stephanie

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