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Senate Approves Last-Minute Delay for Medicare Pay Cuts

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June 18, 2010 — In a surprise turnabout, coming the day after it had rejected the same measure, the US Senate reached a last-minute deal today to delay a planned 21.3% Medicare fee cut for 6 months. The legislation also provides a 2.2% payment increase.

Senate Majority Leader Harry Reid (D-NV) and Senate Minority Leader Mitch McConnell (R-KY) both said the compromise is "paid for" and will not affect the national deficit. Under Senate rules, the agreement was passed by "unanimous consent" without a roll call vote.

The legislators took turns complimenting each other on the new spirit of cooperation. They had used heated rhetoric to bash each other Thursday night after a \$118 billion package for a 6-month delay in the Medicare pay cuts, plus a finance package that extends jobless benefits and provides \$24 billion to states for their Medicaid programs, failed to pass.

The new pact was brokered by Senate Finance Committee Chairman Max Baucus (D-MT), who said the agreement was a "good omen" that the 2 parties could work together on the rest of the finance package in the future.

The last-minute agreement means that the pay cuts, which technically went into effect June 1, will be rescinded and physicians will be paid the full amount of their Medicare fees. If the Senate had not acted, the cuts would have gone into effect today.

Medicare contractors were ready to start processing June claims at the reduced rate, but the Center for Medicare and Medicaid Services was holding up the claims, anticipating that Congress would stop the reduction retroactively.

The House of Representatives must still pass the measure, and that is likely to happen Monday. The Center for Medicare and Medicaid Services acknowledges that the uncertainty about the fee cuts and delayed processing of Medicare claims may present cash-flow problems for some physicians, but it expects the delays to be only a few days.

Still Havoc for Practices

Medical groups are still upset that the "doc fix" is only for 6 months instead of providing a longer reprieve from threatened pay cuts.

"The reduction in payments, even if temporary, creates havoc for practices," the American College of Physicians said in a statement. "The situation is unacceptable and the frustration and anger is understandable." It said physicians need stable and predictable payments and called for a permanent fix.

Even before the vote Thursday, the American Medical Association (AMA) at its annual meeting in Chicago mocked Congress for failing to grapple with the pay issue, saying the "Senate fiddles as Medicare burns," and that a 6-month reprieve was inadequate. The AMA voted to formulate legislation for a new Medicare payment option that would allow patients and physicians to freely contract for payments that differ from the Medicare schedule, while allowing patients to use their

Medicare benefits. "A new patient-centered category of Medicare payment will allow seniors to use their Medicare benefit fully for the healthcare they need," said David O. Barbe, MD, an AMA trustee.

Tensions were high in Washington, DC, after Thursday night's vote to reject the financial package, with each side sniping at the other. Democrats said Republicans were being obstructionist, and Republican legislators said Democrats were not serious about taming the national debt.

The Medicare pay cut issue is the result of a decade-old formula, called the sustainable growth rate, set up by Congress to slow the growth in Medicare spending. Reimbursement rates for Medicare would have been trimmed on a yearly basis, but Congress has deferred the cuts 9 times since 2003, almost always just days before planned cuts would take effect. Changing the formula was not included in the healthcare overhaul President Obama signed into law in March.

The AMA and other medical groups argue that any Medicare pay cut will harm patient access to care because physicians are less willing to treat Medicare patients. A survey of 9000 members revealed that 17% of physicians — and 31% of primary care physicians — would limit the number of Medicare patients they see because rates are too low.

After Thursday's vote, AMA President Cecil B. Wilson, MD, said, "Congress is playing Russian roulette with seniors' healthcare. Congress has finally taken its game of brinkmanship too far, as the steep 21% cut is now in effect, and physicians will be forced to make difficult practice changes to keep their practice doors open."

The pay cut drama of 2010 has taken a toll on medical practice finances, the AMA reports.

In response to the 2 short-lived rate reductions in March and April, 39% of physicians delayed payments for supplies, rent, or other expenses; 17% took out a loan or line of credit to pay bills; and 17% held up paychecks or even furloughed or laid off employees, according to the association's survey.

Such cutbacks make it less likely that medical practices will invest in health information technology and other improvements that policymakers consider vital to healthcare reform, the AMA notes.