

Dewonkify – SGR

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Word: Sustainable Growth Rate (SGR)

Definition: The Sustainable Growth Rate is a formula that is supposed to be utilized to determine Medicare Part B payment rates for physicians and other health professionals.

Used in a sentence: [Medicare SGR sticker shock adds urgency to pay reform campaign](#)

History: In 1997, Congress created the SGR formula in order to help limit spending on Medicare physicians' services. Since 2002, what Medicare spends on physician services has exceeded a SGR formula cap, so physicians have faced payment cuts (also called negative updates). However, for the past decade, Congress has passed a series of short-term fixes (14 of them) to prevent the cuts from taking place, having to find other health care savings to offset the cost of fixing the physician cuts.

What's the problem? Unless Congress passes another short-term or a longer-term fix to the SGR before the end of 2012, physicians who treat Medicare beneficiaries will face a 26.5 percent cut in their reimbursement. Such a cut would go into effect in January 2013.

Correcting the formula is not an easy task. The Congressional Budget Office estimates that even a one-year fix costs about \$25 billion, and replacing the formula can cost as much as \$376 billion over 10 years. Congress has yet to pass legislation addressing a permanent replacement formula for determining Medicare payment rates to physicians and other health professionals.

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