



April 16, 2010

Federal Legislative Update

Physician Payment Cuts in Medicare Delayed Until June 1

Last night, the U.S. Congress approved an \$18 billion piece of legislation that will temporarily delay a scheduled 21 percent cut to Medicare physician payments until June 1, 2010. This provision was part of broader legislation extending unemployment benefits, including subsidies to help purchase COBRA coverage, which was signed by President Obama last night.

The legislation will temporarily postpone the reduction in payments mandated by the sustainable growth rate (SGR) formula. The 21 percent cut officially took effect April 1, though the Centers for Medicare and Medicaid Services intervened for the second time this year and instructed contractors to hold claims for medical services performed on or after April 1 for the first ten business days of the month. This freeze ended on Wednesday night.

The SGR formula will thus remain unchanged until June 1, at which point Congress may approve another temporary fix to the formula or work to enact a permanent substitute for it. The SGR formula was originally designed to match increases in physician payments under Medicare to the growth of the Gross Domestic Product (GDP). However, since medical costs have inflated at a faster pace than the GDP, the SGR formula would actually result in substantial Medicare payment reductions. Every year, Congress has postponed these cuts, generally substituting small increases in payments instead.

Improvements to the health reform law

The Academy will be working with Congress and the Administration to ensure that the new health reform law signed by President Obama is implemented to provide the best possible outcomes for children and the pediatricians who care for them.

For example, the AAP recently released a [press statement](#) on the provision within the health reform law regarding pre-existing conditions exclusions for children. U.S. Department of Health and Human Services Secretary Kathleen Sebelius wrote a letter to America's Health Insurance Plans, the health insurance industry's trade association, stating that regulations will be developed to guarantee that children must have access to their parents' health insurance. Secretary Sebelius further clarified that health insurers must cover services for children with pre-existing conditions. The response from the insurance industry affirmed that insurers will comply with these new regulations. The

Academy strongly believes that no child should be denied health care coverage for a pre-existing condition, and was pleased that the Administration and the insurance industry recognized the need to provide some of the nation's most vulnerable children with access to much-needed health care services under the new health reform law.

Other concerns with the law that the Academy is currently working to address with the Administration and Congressional leadership include: extending provisions of last year's economic stimulus to improve Medicaid funding to states, providing fair access to insurance coverage for immigrant children, creating a long-term funding mechanism for the Children's Health Insurance Program, achieving improved payment under Medicaid for all services, and addressing medical liability reform.

Moving forward, the Academy is developing new materials for AAP staff and membership that explain the health reform law and its impact on children and pediatricians. In the coming weeks and months, there will be opportunities to learn more about health reform implementation and to play a key role in some of the regulations. In the interim, if you have any questions, please contact Bob Hall at RHall@aap.org or Erin Wallace at EWallace@aap.org.