Two for the Price of One:

A Permanent Fix for the Sustainable Growth Rate (SGR) by Returning Rebate Pricing to Pharmaceutical Benefit for Dual Eligibles

Sustainable Growth Rate: Yet Again a Hot Topic

The House Committees on Energy and Commerce (E&C) and Ways and Means (W&M) have proposed a fix to the Medicare payment system, commonly known as the Sustainable Growth Rate, or "SGR," and the Senate Finance Committee has already held multiple hearings on the subject.

There is widespread, bipartisan agreement that the SGR, a model dominated by fee-for-service, is both out-dated and costly. Moreover, it creates tremendous insecurity for both Medicare patients and Medicare providers. And yet, year after year, a permanent SGR has been out of reach.

Why This Time Is Different

In the past, two hurdles have prevented a permanent SGR fix, the lack of an agreed-upon pay-for and disagreement on how to replace it; neither is the issue it was.

- The cost of a permanent fix is, according to the Congressional Budget Office (CBO), the least expensive it has ever been at $138 billion over the next 10 years; and
- There now are many models for provider payment based on quality of care, rather than quantity of care, that hold appeal across the aisle.

Considering all of these factors together, it is clear that the time to replace the SGR is now.

The Perfect Pay-For

Prior to 2006, dual eligibles received their prescription drug benefit through the Medicaid program. As one would expect from any provider representing a large number of beneficiaries, the federal government required that the Medicaid program received discounted (or "rebated") pricing. When dual eligibles were moved from the Medicaid drug benefit to the new Medicare Part D drug benefit in 2006, this discounted pricing was lost. As a result, taxpayers began to pay dramatically higher prices for the drug benefit for this population.

If rebate pricing were simply returned to the drug benefit for dual eligibles and other low income Medicare beneficiaries, this would save $141.2 billion over ten years according to the CBO. This change is contained in The Medicare Drug Savings Act (S. 740), introduced by Senator Rockefeller and several of his colleagues, and would bring an end to wasteful taxpayer spending.

Two for the Price of One

By using The Medicare Drug Savings Act to pay for the repeal of the SGR, two long-standing health policy problems could be resolved simultaneously. And the ten year window would create the opportunity to move away from Fee for Service to a range of demonstrated pay-for-quality options.

Suggested Talking Points:

- These days in Washington it is rare to have the opportunity to solve one major problem in Medicare, let alone two.

- By pairing the Medicare Drug Savings Act with the repeal of the Sustainable Growth Rate (SGR), we can do just that with no additional cost to the taxpayer.

- When I suggested that dual eligibles join the newly created Medicare Part D drug benefit, it was not my intention that taxpayers would lose discounted pricing for this population and, quite frankly, it wasn't something I even imagined.

- No private plan representing millions of beneficiaries would settle for anything other than rebated pricing. As of 2009, there were over 9 million dual eligibles, and taxpayers were paying non-rebated prices for each and every one of them.

- Just by correcting this mistake, and returning rebate pricing to the drug benefit for dual eligibles and other low-income Medicare beneficiaries, we will eliminate $141.2 billion dollars in wasteful spending over the next ten years.

- Other than wasteful spending, the greatest complaint in Medicare is the uncertainty that the SGR causes each year for both doctors and patients. Rather than "patch" this problem year after year, we should permanently fix it.

- Repealing the SGR would cost $138 billion over the next 10 years according to the CBO, but we cannot put a dollar value on eliminating uncertainty for Medicare patients and their doctors.

- Moreover, repealing the SGR is the only way we can move away from Fee for Service and paying for quality, as so many of us think is the right thing to do.

- I have been at this a long time. And I urge my colleagues to recognize that we have a special opportunity before us.

- Without harm to taxpayers, hospitals, doctors, or even the pharmaceutical industry, we have before us a way to end two longstanding problems in a single effort.

- The time is now.