

Potential 4.4% reduction in 2006 Medicare Physician Fee Conversion Factor

The Medicare Final Rule regarding physician payment for 2006 states that there will be a 4.4 percent reduction to the Medicare Conversion factor for all physicians. This reduction is mandated as part of the Sustainable Growth Rate (SGR) formula which is used annually to calculate physician payment increases or reductions.

As many of you know, the ACR, along with many other medical societies, has been working with Congress to enact a legislative solution that would avoid these potential cuts which become effective on January 1, 2006. Congressional negotiations regarding this issue are ongoing, although their outcome is still unclear.

This memo is being sent to you to outline some of the possible scenarios that may unfold over the next several weeks. The following options are not listed in any particular order as to their probable outcome:

Option 1: Congress is able to come to an agreement prior to the end of the year that avoids the enactment of the payment reductions. The new 2006 payment levels range from a freeze at the 2005 levels or an increase of as much as 2.5 percent.

Option 2: Congress is unable to reach agreement regarding a legislative solution by the end of the year, but acts early in 2006 to resolve the problem. The new 2006 payment levels range from a freeze at the 2005 levels or an increase of as much as 2.5 percent and would be retroactive to January 1, 2006.

Option 3: Congress is unable to come to any agreement regarding a legislative solution and the 4.4 percent reduction becomes effective on January 1, 2006.

ACR will continue to update you as developments unfold. For more information, please contact ACR's Senior Director of Government Relations and Economic Policy Development, Josh Cooper, at jcooper@acr.org.

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