

The AMA learned yesterday evening that Senate Majority Leader Harry Reid (D-NV), Finance Committee Chairman Max Baucus (D-MT), Minority Leader Mitch McConnell (R-KY), and Finance Committee Ranking Member Charles Grassley (R-IA) have reached agreement on a proposal to stop the Medicare physician payment cuts being produced by the sustainable growth rate (SGR) formula for 12 months, through the end of 2011. The White House was also actively involved in the negotiations. In addition, the proposal would extend a number of expiring payment policies, which presumably include the "floor" on geographic adjustments to the physician work component of the Medicare physician payment schedule. (A full list of the policies to be extended has not yet been made available.)

While there has been general bipartisan agreement for several weeks on the importance of stabilizing physician payments for at least a year, negotiations centered on identifying financing offsets for the approximately \$19 billion cost of the proposal that would receive bipartisan support. We have been informed that the costs would be offset by recouping a greater proportion of overpayments that in some circumstances may be made to consumers who are deemed eligible for subsidies to purchase coverage in the health insurance exchanges that will be established by the Affordable Care Act. We understand that this offset is sufficient to finance the entire legislative package and that there are no provisions to achieve savings through changes in physician payment policies.

The proposal was presented yesterday afternoon to members of the Senate Finance Committee for their review. Assuming committee members and rank-and-file Senators support the proposal, it could be considered on the Senate floor later this week.

We will keep you informed as the situation develops.

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