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From international law firm Arnold & Porter LLP comes timely views on current regulatory and legislative topics that weigh on the minds of today's physicians and health care executives.

President's 2015 budget supports SGR fix, boosts funding for primary care work force programs

--By Ted Lotchin and Thomas A. Gustafson, Arnold & Porter LLP

Despite the winter weather emergency in Washington, the White House released President Barack Obama's [proposed budget](#) for fiscal year 2015 on Tuesday. In its current state, the president's proposal would spend \$3.9 trillion in fiscal year 2015, leading to a budget deficit of \$564 billion (a decrease from the FY2014 budget deficit of \$649 billion). The Department of Health and Human Services (HHS) would have a \$1 trillion [budget](#) under the president's proposal, including \$77 billion in discretionary funds for initiatives such as growing the physician work force, expanding Medicare's value- and quality-based payment initiatives, and strengthening antifraud efforts.

Several provisions in the budget will be of particular interest to physicians. Perhaps most notably, the proposed budget voiced strong support for reform of Medicare's sustainable growth rate (SGR) formula.

The administration applauds the [bipartisan reform efforts in Congress](#) and is committed to working with Congress to continue progress toward reforming Medicare physician payments to provide predictable payments that incentivize quality and efficiency in a fiscally responsible way.

The proposal also outlines the president's general vision for reforming the SGR, in words suggesting general accord with the particulars of the bicameral bill now under consideration.

As part of these ongoing reform efforts, the administration supports a period of payment stability lasting several years to allow time for the continued development of scalable alternative payment models. After such a period of payment stability, the administration supports incentives for providers to join such models, with a streamlined value-based purchasing program for providers who do not join. Such models should encourage integrated care where networks of providers work together to coordinate care and are rewarded for providing high-quality, efficient care. Successful care delivery models should engage seniors and individuals with disabilities in achieving this goal. Input from physicians and other professionals is important in designing these models as well. To complement these changes, the administration also supports reforms to improve the accuracy of Medicare's current physician payment system.

The Congressional Budget Office has recently estimated that the current bicameral SGR bill will increase direct spending by about \$138 billion over 10 years. Congress is now looking for ways to pay for these changes. The budget proposal, however, does not offer Congress any specific ideas for this purpose.

The president's budget proposal would fund several health care work force development initiatives of interest to physicians:

- \$5.23 billion over 10 years to educate 13,000 new residents through a GME program focused on training physicians at community-based health care entities that use team-based models of care to provide care in rural and underserved areas.

- \$3.95 billion over 6 years to expand the number of National Health Service Corps providers in underserved areas to an annual field strength of 15,000 for each year from 2015 through 2020.
- \$5.44 billion to extend the Affordable Care Act's Medicaid pay bump for certain primary care providers (including physician assistants and nurse practitioners).

However, the [Association of American Medical Colleges](#) and [America's Essential Hospitals](#) have both raised concerns about whether these proposals will actually create a net increase in provider workforce funding, in light of cuts to indirect medical education found elsewhere in the President's budget. The extent to which Congress will support these priorities also remains to be seen.

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