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Grandma, Grandpa Spared From Bulk of Automatic Supercommittee Cuts

By **Amy Bingham**

With less than three days before their midnight deadline, the **12-member** Congressional supercommittee is expected to announce today that they **did not reach a deal** to cut $1.2 trillion from the federal budget over the next ten years.

While Congressional aides stress a last-minute Hail Mary pass is still possible, deep divides over taxes are still shaking the foundations of any prospective, and as of now unlikely, deal.

This race-the-clock game has already played out **twice this year**, but this time there is no looming government shutdown or imminent debt default. Instead, there are $1.2 trillion in automatic, **across-the-board budget cuts** split evenly between defense and domestic spending that will take effect in 2013 in the absence of a deal.

Unlike the last two doomsday-like failure scenarios, the automatic cuts may not be so devastating on the non-defense spending side of the equation. Both Medicaid and Social Security are spared from the funding reductions and Medicare cuts are limited to 2 percent of the **entitlement program's budget**.

Budget hawks looking for significant spending reductions herald the automatic cuts as real deficit-reduction. And entitlement program defenders claim the limited cuts — which include exceptions for the poor and disabled — are less damaging than any that are likely to come out of a supercommittee deal.

“I think failure is a success,” said Michael Tanner, a senior fellow at the conservative CATO Institute. “I think that a supercommittee that does not come to an agreement is more likely to achieve real cuts than one that does.”

Under the automatic cuts, or sequestration, **Medicare** will lose about $123 billion between 2013 and 2021. But that entire amount will come out of the pockets of doctors and hospitals, not grandma and grandpa.

“If there's a deal, it could be much worse,” said Eric Kingson, the co-director of Social Security Works. “I'm not going to suggest that a 2 percentage point cut focused on providers may not result in tighter payments for certain kinds of procedures, but it is far less onerous than further raising deductibles on people.”

That doesn't mean the many-billion-dollar cuts will be painless.

Tanner said that slashing the amount the federal government reimburses health care providers who care for Medicare enrollees could make it more difficult for senior citizens to find doctors that will care for them.

“About 12 percent of physicians already will not accept Medicare patients and a larger number are not accepting new patients,” Tanner said. “If you further reduce reimbursements, you’re liable to find additional physicians saying it’s just not worth it.”

Leemore Dafny, an associate professor of management and strategy at Northwestern University’s Kellogg School of Management, said the provider-side cuts could force already cash-strapped rural and inner-city hospitals to search for alternate forms of revenue.

“Hospital margins are extremely low,” Dafny said. “Most are under 5 percent and Medicare counts for well over a third of hospital admissions. One possibility is that hospitals will pressure private insurers to pay higher prices because they have nowhere else to turn.”