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Ditch The Permanent 'Doc Fix' For Real Entitlement Reform

A new law eliminating Medicare's annual 'doc fix' makes tiny cuts at the expense of ignoring the calamity Medicare means for America's finances.

By [Dustin Siggins](#)

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Last week, the so-called “Doc Fix”—Congress’ annual tradition of delaying scheduled payment cuts to Medicare doctors—became a thing of the past. But while the health industry and huge majorities in Congress are praising this bipartisan effort, the American people should ask for a refund.

Created in 1997, the Sustainable Growth Rate (SGR) formula was designed in such a way that if Medicare’s costs grew too much, automatic cuts to Medicare doctor payments would take place. The costs have risen exponentially. However, Congress has continuously overridden this law since 2003, creating a so-called “Doc Fix” nearly 20 times in the last 12 years.

This year, House Speaker John Boehner (R-Ohio) worked with House Minority Leader Nancy Pelosi (D-California) to create bipartisan legislation that would take this annual legislative headache off the table forever.

The bill, known as H.R. 2, overwhelmingly passed the House, and last week did so in the Senate, then became law with President Obama’s signature. It offsets the cost of eliminating the payment cuts—again, set in place to reduce spending—with small levels of means-testing, changes to the Medicare payment system that, at least in theory, encourage quality of care instead of quantity of care, and other changes to various health care incentives.

H.R. 2 also extended a number of federal health care programs, including [the Children’s Health Insurance Program \(CHIP\)](#). All told, it is estimated to save \$35 billion in the first decade, and \$235 billion in the second decade, compared to projected deficits.

Pushing Yet Another Debt Problem Onto American Kids

As a whole, H.R. 2 has some worthwhile, if small, steps towards real entitlement reform. Changing payment incentives to prevent overutilization will, in theory, lead to more effective use of resources and a higher-quality experience for patients, and means-testing is a no-brainer in intellectually honest policy circles.

But these small successes are not enough to stop the bait-and-switch from Congress as it eliminates the threat of payment cuts, which was the main driver behind creating H.R. 2. If payment cuts are permanently ended, today's politicians will have successfully pushed yet another debt problem onto tomorrow's elected officials and citizens.

The first problem with the SGR portion of H.R. 2 is the argument that it is health-care reform. That premise, popular among supporters of H.R. 2, continues the myth that getting rid of payment cuts reforms Medicare for the better.

While payment reductions to doctors are certainly an imperfect method of controlling costs—although such rationing tactics are standard in Britain and other nations, [as well as the Affordable Care Act](#) and, clearly, the 1990s Medicare system—eliminating them without substantive Medicare reform is a path to fiscal failure.

The Cato Institute's Michael Cannon [may have said it best](#). “If this bill passes, it will be easier for Congress to ignore runaway Medicare spending — and that spending will begin to run away even faster,” he says. “Reformers might be better off leaving the SGR in place and preserving the leverage it creates until political realities have changed — that is, until there is a president who will support broader Medicare reform.”

Again, stopping payment cuts to doctors is not reforming Medicare. It's merely throwing a rhetorical and legislative shield at what the cuts are designed to do: slow Medicare's enormous cost growth.

Promised Reforms Never Materialize

The second problem with the proposed SGR changes is the reliance on promises, such as the one House Speaker John Boehner (R-OH) made in a piece at National Review Online. [According to Boehner](#), H.R. 2 “will...set the stage for further reforms in the future to help seniors and taxpayers.” A spokesman for Boehner, Michael Steel, reiterated this to me, stating that “this agreement is not the silver bullet that will save Medicare, but it is a good, responsible first step—and the only way we are likely to make any progress with President Obama in the White House.”

However, Boehner's record on holding to promises is suspect, to say the least. In 2010, the then-minority leader said he would cut \$100 billion from the federal budget in 2011. That number was dropped to just over \$60 billion shortly after Boehner took the speaker's gavel from Pelosi, and in the end he managed to eliminate a mere \$38 billion, taking [only \\$352 million](#) out of the 2011 budget.

Likewise, last year Boehner told voters that if Republicans were given control of Congress, he would lead the GOP against Obama's proposed amnesty by using Congress' control of the purse. As we now know, the speaker negotiated his way to another loss against Obama.

The Law Changes Little About Medicare's Debt Explosion

A third flaw with the SGR portion of H.R. 2 is a political argument from its supporters, perhaps most eloquently Americans for Tax Reform's Ryan Ellis. According to Ellis, Congress must work with the political realities it is given, [so he supports H.R. 2 as it stands](#). This might make sense, if the SGR component of H.R. 2 was actually about entitlement reform instead of another opportunity for Congress to push the issue of solving Medicare down the road.

As is typical, supporters of H.R. 2 are making the political reality argument rather than admit that, once again, Republicans in Congress failed to make gains against the federal behemoth's continuous, unsustainable growth. This failure is taking place despite GOP control of Congress' purse, and the many opportunities for political leverage that have passed Boehner by since 2011.

According to Steel, Republicans "certainly understand the need to save Medicare for future generations, which is why the House has passed a series of balanced, fiscally-responsible budgets that address the issue." However, those "fiscally-responsible budgets" do not implement Medicare reform for a full decade, which is just five years before Medicare's main trust fund is expected to be exhausted, and fail to touch Social Security.

As with any proposal, fiscal concerns should be a top priority. The Congressional Budget Office projects that H.R. 2 will save \$35 billion over the first decade, and Boehner's op-ed notes an estimated \$235 billion in savings for the second decade of reform. However, such savings are not due to the SGR part of H.R., but rather the means-testing and payment reforms it includes.

But these projected savings are tiny compared to a program that [spent nearly \\$500 billion in 2013](#) alone, and is expected to grow dramatically over the next 20 years. Without major changes to Medicare, tax increases, drastic cuts, or both will be necessary—and some of those tax increases will hit people who don't even use Medicare.

In short, H.R. 2 holds much potential for extremely modest, politically realistic reforms to Medicare. But by extending CHIP and a number of other federal programs, and most importantly by giving Congress a cop-out on the kind of Medicare reform each member knows is necessary to prevent fiscal calamity, H.R. 2 is in totem a political and financial loser for the American people.

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