The Hidden Cost of the "Doc Fix"

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The convoluted, politicized and hugely expensive issue of the "doc fix" is back in the spotlight after falling by the wayside along with health reform. Unlike health care reform, however, the “doc fix” will likely be passed through Congress without a blink, incurring a $82 billion expense to the U.S. taxpayer.

The "doc fix" provides a stopgap to Medicare payments that give doctors less than market value for their services. It doesn't even provide doctors with the full market value; usually, it only covers it to about 80% of what the private sector would pay. But without the doc fix—with Medicare alone—that reimbursement rate would be somewhere near 60%.

Medicare reimburses at a rate that much lower because of 1997 balanced budget legislation, which prohibits medical expenses from rising faster than inflation. However, medical expenses have risen much faster than inflation. So while the standard Medicare reimbursements are kept at the unreasonably low rate, the "fix" bumps them up just enough to make doctors accept them.

What's curious about this year's “fix” is the lack of political attention given to the issue in the wake of vicious political battles over payment options for Obamacare. A version of the "doc fix" was surreptitiously excluded from the health reform bill because lawmakers didn't want to make the bill any pricier.

But passing is separately is apparently not a problem for lawmakers, who see a vote against entitlements as political suicide. It's in no party's interest to take on both seniors and the medical lobby.

Michael Cannon, director of health policy studies at the Cato Institute, says he doesn't even like calling the stopgap a "fix" because it's not fixing anything. Instead, it's allowing Congress to continue living in their alternate reality, where medical expenses cost whatever they say they cost.

"Because the government's price controls are set in the wrong place, and you're going to put a ‘correction’ in place to fix it? C'mon," said Cannon.

This year, the price will be higher than normal, because Congress is planning on a 5-year "fix" to their problem instead of their usual 1-year fix. The total is estimated at $82 billion, which will prevent doctors from suffering a 21% cut in fees.

The $82 billion 5-year plan is nothing compared with the $200 billion cost of a 10-year plan, or what legislators like to call "permanent." The only reason it's considered “permanent” is because the budget outlook for this issue only extends 10 years into the future.

National Center for Policy Analysis president John Goodman said that there isn't really isn't an end in sight to this issue because of the lack of political will, the inability for Congress to ever effectively address entitlement reforms and the wrong-headed approach that Congress takes to the practice of medicine as a whole.

"It never works to have the payers tell the providers how to practice medicine," said Goodman.