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Mayo Clinic Makes Medicare, Medicaid Cuts

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The controversy over becoming a for-profit organization and its reimbursement rates has led the famed Mayo Clinic to close off access for many Medicare and Medicaid patients.

According to Mayo, Medicare was reimbursing doctors at the Mayo Clinic in Arizona for only about 50 percent of the cost of the primary care treatment they were providing, leading Mayo to make the decision to opt out of Medicare.

The clinic will continue to accept Medicare patients at the facility for primary care treatment, but only if they pay cash.

Forced into 'Tough Decision'

Amy Ridenour, president of the National Center for Public Policy Research, said the government's Medicaid reimbursement cuts necessitated Mayo's decision.

"President Obama's recently adopted health care law increases the caseload borne by Medicaid, the health care system for the poor run by the states. States were struggling to meet the burden of paying for Medicaid even before the recent economic downturn.

"The Mayo Clinic has essentially been forced to make this tough decision because top-down, government-run health care does not work," Ridenour said. "Under Medicare, government sets the rates it will pay providers for services. It often does so below market rates and, at times, below cost. When the latter happens, providers either must subsidize the care themselves or overbill other patients to make up the difference. Instead, Mayo has decided to charge the market rate."

Alan Reynolds, a senior fellow at the Washington, DC-based Cato Institute agrees.

"Medicare reimbursement rates are far too low to cover the costs of high-quality medical services, and Medicaid reimbursement is even worse," Reynolds said. "Very few 'top doctors' will accept new Medicare patients. Half of Medicaid users are forced into HMOs because half of private physicians, even more in many areas, will not treat them."

Learning from Mayo

John Lalli, principal consultant at National Consulting and Analysis, LLC in Utah, says patients should expect more closed clinic doors in the near future.

"Mayo Center in Arizona is not going to accept Medicare in Arizona because they don't pay enough. What we can learn from that is it's just the tip of the iceberg. More shortages are to come," said Lalli.

Ridenour says the situation will only worsen if President Obama's health care law is not repealed.

"It is so difficult for Medicaid recipients to find doctors that Medicaid enrollees already have been utilizing emergency room care at twice the rate of uninsured patients," she said. "We can expect it to be increasingly difficult for Medicaid and Medicare patients to find doctors and other providers."

'Dangerous Recipe'

Reynolds says the law's proponents failed to recognize pairing expansion of Medicaid with cuts in reimbursement is a "dangerous recipe."

"The health care law presumed that physician reimbursement could be cut by 21 percent, then frozen in real terms," said

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Grace-Marie Turner is president of the Galen Institute, a public policy research organization that she founded in 1995 to promote an informed debate over free-market ideas for health reform.

Reynolds. "The law also expands Medicaid to cover 16 million people not previously considered poor enough to qualify. From past expansions of Medicaid, economists have found that most of the new enrollees were not uninsured, but instead switched from employer-provided plans."

Reynolds said the inevitable reaction from government is the application of even-harsher price controls.

"Price controls boost demand and discourage supply, resulting in 'shortages,'" Reynolds said. "Politicians imagine that they can somehow force medical care providers to work for peanuts, but we abolished slavery a long time ago."

Inherent Flaws

Ridenour suggests the lesson of the Mayo Clinic's decision is that government-run health care is inherently flawed.

"Invariably, in a government-run system in which government reimburses private providers, to meet budget targets, governments set the rates it will pay to providers too low," said Ridenour.

"This reduces the supply of people willing to provide health care services such as doctors, nurses, medical staff, and support, and the supply of equipment like hospital beds, diagnostic tools, etc. Shortages develop, and those who are sick or injured suffer. This is why governments should not try to administer health care," she added.

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