



LEGISLATIVE ALERT

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THE MEDICARE ‘DOC FIX’ (H.R. 6331) ABUSING THE PROCESS WITH BUDGETARY GIMMICKS

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To prevent a scheduled 10.6-percent reduction in the Medicare physician payment formula on the 1st of July, the Majority has rigged a so-called “doc fix” they already know cannot pass in the Senate. The legislation temporarily freezes Medicare physician payments for the duration of 2008, and provides a 1.1-percent payment update for 2009. But the true costs are disguised under budget gimmicks, while the bill delays permanent reforms that are needed in Medicare, and increases the already unsustainable rate of Medicare spending.

- **Budgetary Gimmicks.** H.R. 6331 prohibits “conversion factor adjustments” from being considered when determining payment rates for future years. This means that adjustments made for 2008 and 2009 will be disregarded for the purposes of computing the payment update factor in 2010 and thereafter. This creates a cliff in the Medicare baseline that assumes a 21-percent reduction in physician reimbursement rates in 2010. Because this steep payment cut is highly unlikely, the effect of the provision is to hide the true cost of physician reimbursement updates, creating a budgetary problem that Congress will feel pressure to remedy.
- **Abuse of the Process.** The Majority’s decision to put H.R. 6331 on the suspension calendar is a futile political exercise and an abuse of the process. Last week the Senate failed to get cloture on a similar bill introduced by Senator Baucus. Now, as the Senate negotiates a compromise, the House Majority is forcing a vote on a bill they know is dead on arrival in the Senate. The White House also has expressed strong opposition to the provisions relating to private fee-for-service plans, and is expected to veto any bill containing such language.
- **Government Price Fixing.** H.R. 6331 ensures the government stays firmly entrenched in setting prices for health care providers. By continuing to alter the physician reimbursement rate and other Medicare fee schedules, the Federal Government – rather than the private marketplace – continues to set prices for medical goods and services, creating benchmarks that private plans follow, driving up health care costs overall.
- **New Spending, No Reform.** The bill also creates a new Medicare Improvement Fund, which is designated to receive \$24.2 billion for the “enhancement” of traditional Medicare Parts A and B through 2017. This fund will likely be used to finance further expansions to the exploding Medicare Program, instead of reducing the \$36-trillion in unfunded liabilities already burdening the program’s fiscal future.