POLICY CORNER

# Passage of the Budget Control Act Creates More Uncertainty for the Medicare Program

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After weeks of uncertainty, the Budget Control Act of 2011 was signed into law at the beginning of August, raising the debt ceiling. Health programs dodged a bullet, but the agreement creates future risks for Medicare.

The legislation creates a super committee composed of 12 members—three Republicans and three Democrats from each chamber of Congress. The decisions of these 12 members will impact the future of this entitlement program. The committee is charged with finding between $1.2 and $1.5 trillion in deficit reduction by the end of the year. If the committee fails in its mission, a 2% across-the-board cut will be triggered. This cut will apply equally to defense and non-defense spending. While Medicaid and Social Security will be exempted, Medicare will be facing 2% in cuts to providers and insurers, not beneficiaries.

In the event the 2% cut to Medicare is not triggered, the super committee's proposal could impact Medicare spending, as well as other entitlement programs. There may be significant cuts to Medicare in whatever proposal comes out of the super committee. However, Representative Fred Upton (R-MI) indicated at a town hall meeting that the committee would not cut the benefits of current Medicare recipients. These remarks ran counter to the guidance Speaker of the House John Boehner (R-OH) gave the Republican members of the committee. A description of the potential parts of the Medicare program that the super committee will consider in its deliberations follows.

As the president, the vice president, Congressional leadership, and the Gang of Six were considering proposals to reduce the deficit and raise the debt ceiling this year, the Medicare graduate medical education (GME) program was a target to achieve significant savings. In December 2010, the president's National Commission on Fiscal Responsibility and Reform released its recommendations, including a cut of approximately 50% of GME funding that totaled $60 billion over 10 years. Given the scrutiny GME funding has been under, it is likely the super committee will look to GME as an area to achieve significant savings, which could have a devastating impact on physician training.

The super committee may also consider Medicare premium supports, which would give enrollees vouchers to purchase private insurance rather than have the government directly pay for covered services. They are also likely to consider proposals to have higher-income Medicare beneficiaries pay more for their coverage. Also, changes in spending for the Affordable Care Act may be on the table.

Further complicating this situation is the scheduled 29.5% cut to Medicare physician reimbursement under the flawed sustainable growth rate formula (SGR). Since 2003, Congress has averted scheduled cuts under the SGR, raising the price tag to permanently fix this problem. The 10-year cost of permanently overhauling the SGR is $300 billion. Postponing this issue for another year would cost $25 billion. Both the House Ways & Means and Energy & Commerce committees have been working on legislative solutions to this problem, and their efforts are likely to collide with the work of the super committee. It is too soon to tell how Medicare physician reimbursement rates will be impacted. However, it could further exacerbate the reimbursement difficulties facing general internists and other primary care physicians. *SGIM*