

**INTRODUCTION:** Millions of American seniors depend on Medicare for their health insurance. But Medicare is facing serious financial problems that threaten doctors, patients, and the national budget.

Medicare's Sustainable Growth Rate (SGR) formula, put in place by the Balanced Budget Act of 1997, was meant to control costs in Medicare by automatically reducing doctors' pay. But without fail since 2003, Congress blocks SGR's implementation each year. This is called a "doc fix."

To start the discussion, [take the quiz below](#) to see what you know about the "Doc Fix".

**1: How much of each American worker's compensation is collected in a payroll tax to fund the Medicare program?**

- A. 1 percent
- B. 1.9 percent
- C. 2.5 percent
- D. 2.9 percent

**ANSWER: D** – American workers pay 1.45 percent of their compensation into Medicare, and employers pay another 1.45 percent on behalf of each worker, for a total of 2.9 percent. ([Internal Revenue Service](#))

**2: Although Americans pay a dedicated payroll tax to support Medicare while they are working, eventually, on average, they take far more out of Medicare in benefits during retirement. For each dollar a retired couple paid in Medicare taxes, on average, how many dollars of benefits do they consume?**

- A. \$1.50
- B. \$2
- C. \$2.50
- D. \$3

**ANSWER: D** – The average retired couple today receives \$3 in Medicare benefits for every \$1 they paid into the payroll tax during their working years. ([Urban Institute](#)) Clearly, this mismatch in revenues and outlays means that Medicare faces a huge financial shortfall and is not sustainable.

**3: The national debt is approaching \$18 trillion. Separately, the Medicare program faces its own long-term unfunded liability. How much are Medicare's unfunded obligations over the next 75 years?**

- A. \$20 - \$35 billion
- B. \$200 - \$350 billion
- C. \$2 - \$3.5 trillion
- D. \$28 - \$35 trillion

**ANSWER: D** – Medicare Trustees estimate that Medicare will not be able to pay its bills, and the unfunded liability (the difference between expected revenues and outlays) is \$28 - \$35 trillion over the next 75 years. ([Medicare Trustees](#)) Clearly, Medicare faces a serious budget crisis.

**4: Medicare's Sustainable Growth Rate (SGR) formula was put in place by the Balanced Budget Act of 1997 and was meant to control costs in Medicare by automatically reducing doctors' pay each year. How many times since 1997 has the scheduled SGR cuts actually occurred?**

- A. Every year, once a year, including this year
- B. Every year until 2010, when ObamaCare passed
- C. Every year until 2009, when Congress started averting the cuts
- D. Every year until 2003, when Congress started averting the cuts

**ANSWER: D** – The SGR has not actually been implemented since 2003. Each year since then, without fail, Congress votes to suspend the Sustainable Growth Rate and fund payments to doctors in legislation nicknamed the “doc fix.”

**5: Since Congress prevents the yearly cuts in doctor reimbursement rates for seeing Medicare patients required by the Sustainable Growth Rate (SGR) formula, what do you think doctors are paid for treating patients using Medicare relative to what they are paid for seeing patients who are privately insured?**

- A. 125 percent, or 25% more than what private insurance pays
- B. 100 percent, or exactly the same as what private insurance pays
- C. 95 percent of what private insurance pays
- D. 80 percent of what private insurance pays

**ANSWER: D** – Depending on the procedure and geographic location, Medicare rates can vary widely. But on average, the government program reimburses doctors only 80 percent of what private insurance companies would pay. ([CNN](#))

**6: Because of low reimbursement rates, fewer and fewer doctors are willing treat Medicare patients. In 2013, what percent of Medicare patients reported having trouble finding a new primary care doctor?**

- A. 2 percent
- B. 8 percent
- C. 18 percent
- D. 28 percent

**ANSWER: D** – 28 percent of Medicare beneficiaries reported having trouble finding a new primary care doctor in 2013. ([Medicare Payment Advisory Commission](#)) This is partly because doctors are frustrated by Medicare’s below-market rates – many doctors lose money when they see a Medicare patient – and slow reimbursement system.

**7: What would happen to Medicare patients if the SGR Formula were to take effect?**

- A. They’d have better luck finding doctors because doctors would be paid more.
- B. They’d have better luck finding doctors because there would be more doctors
- C. Nothing – things would stay about the same.
- D. They’d have worse luck because Medicare would pay doctors even less, and fewer doctors would agree to see Medicare patients.

**ANSWER: D** – The Sustainable Growth Rate formula, if ever implemented, would result in a pay cut for doctors. In 2014, had Congress not avoided the SGR with a “doc fix,” the effect on Medicare payments to doctors would have been a 25 percent decrease. ([American College of Physicians](#)) This kind of pay cut would undoubtedly encourage more doctors to see fewer Medicare patients or to opt out of the Medicare program entirely, making it harder for Medicare patients to find doctors.

**8: What is the political impact of the Sustainable Growth Rate Formula?**

- A. It encourages budget projections that make health programs appear more fiscally solvent than they actual are
- B. It’s a political football that helps Congress make other deals
- C. It enables political parties to raise money from doctors’ associations
- D. All of the above

**ANSWER: D** – All of the above. Sadly, budget-scoring agencies have to ignore that Congress passes a “doc fix” each year. They typically base their projections on current law, and the Sustainable Growth Rate is law. This makes our budget projections look sustainable, even though that is not realistic, because this practice ignores the costly “doc fix” that Congress

inevitably enacts each year. Furthermore, Congress uses the “doc fix” vote to agree to other deals that don’t always have taxpayers’ interests in mind. And finally, political organizations and parties use the threat of the Sustainable Growth Rate cuts to scare doctors into making political donations. In exchange for the promised relief of a “doc fix” that spares doctors’ from pay cuts, doctors get shaken down for political cash.

**9: What would be the benefits of permanently repealing the SGR?**

- A. Doctors and patients could better plan ahead
- B. The American public would have a better idea of the real costs of the Medicare program, and therefore would be more likely to support fundamental reform
- C. The SGR would no longer be a political football that Congress and political parties can abuse.
- D. D. All of the above

**ANSWER: D** – All of the above. If the specter of the Sustainable Growth Rate didn’t threaten Medicare’s payments to doctors each year, doctors would know better what to expect from the program in future years. They could better plan for how many Medicare patients they wanted to see and treat. And patients wouldn’t have to fear that government cuts would threaten their access to their Medicare doctors. From a budget standpoint, removing the SGR would lead to better transparency of Medicare’s costs, and would better demonstrate the need for comprehensive Medicare reform. And finally, permanently repealing the SGR would end the annual political games surrounding the “doc fix” vote.

**10: Some people have suggested that to save Medicare and fix its broken payment system, we should permanently repeal the Sustainable Growth Rate formula and instead reform the government insurance program to a “premium support” model. What does “premium support” mean?**

- A. Cutting benefits to current seniors, leaving them underinsured and vulnerable
- B. Rationing health care to current seniors
- C. Doubling the Medicare budget by raising taxes
- D. Allowing future beneficiaries to opt out of traditional Medicare and instead use their benefit dollars to buy a private health insurance plan of their choice

**ANSWER: D** – Medicare reform advocates are not calling for changes to today’s benefits for today’s seniors, but rather want to reform how the program works for future retirees. The idea behind premium support is more choice: If you prefer traditional Medicare, fine, but if you’d rather take your Medicare dollars and use them to buy a private health insurance plan, you’d be free to do so. This concept would also make Medicare fiscally sustainable, as private health insurance is more competitive and efficient.

## *How Did You Do?*

Check your answers and give yourself one point for each question you got right.

**Did you get fewer than 5 points?** That's okay! That's okay! This information isn't well known, and in fact, most of the discussion you hear about this topic ignores this kind of data and analysis. Take a look at our suggested readings to learn more.

**Did you get 5 points or more?** If so, congratulations! You know your stuff about the problems with Medicare financing and our healthcare system. You should speak up when you hear discussion about this topic since so many people haven't heard this information!

## **Real World Examples**

Here are a few examples of people I know who are impacted by government's poor handling of the Medicare budget and the Sustainable Growth Rate.

### ***Mrs. Martin***

*Mrs. Martin is a widowed, elderly person, but she doesn't feel sorry for herself! She likes to stay active by taking walks and participating in her church groups. She hasn't seen a doctor in years. But then one day Mrs. Martin starts to feel more and more pain in her hip. She'd like to make an appointment to talk to someone about it, but it seems there aren't enough doctors out there! She calls three doctors' offices in town, and none of them are taking any new patients with Medicare because the program's reimbursements are too low. Finally, she gives up and offers to pay a cash-only doctor. "So much for that!" she thinks about her Medicare coverage.*

### ***Dr. Greene***

*Kyle is in his early thirties and works at the Congressional Budget Office, the most highly respected budget-scoring agency in Washington, D.C. He knows that Medicare is going bankrupt as early as 2024, long before he reaches retirement age. But he's constantly frustrated on the job because when CBO offers budget projections, they have to assume that the law is the law: They have to assume that the SGR formula in Medicare will result in less spending. He knows that in reality, Congress will intervene at the last minute with a "doc fix" to suspend the SGR, and this intervention will cost more money. He wishes he and his colleagues could make it clearer to Congress and to the public that Medicare needs serious reform, but their hands are tied.*

## *Discussion Questions*

- Do you have family members who use Medicare? What is their experience with the program? Do you think they know about Medicare's budget problems?
- If you were a doctor, how would you feel about so much of your business being controlled by the government? How would you feel knowing your payments might be cut any year, by as much as 25 percent, unless Congress enacts a "doc fix"?
- How do you think we should solve the problem of Medicare's unsustainable budget?
- Do you think the government should be in charge of cutting Medicare spending through a bureaucratic board or do you think it would be better to give Medicare patients the choice of taking their dollars into a private health insurance market?
- Do you think there's any reason to keep the Sustainable Growth Rate as law, when Congress simply averts it each year? What would happen if Congress permanently repealed the SGR? What would happen to doctors and patients? Medicare's budget? Projections for Medicare and the overall national budget?

## *Articles to Read*

Hadley Heath Manning "[Doc Fix: Problems and Solutions](#)"

Hadley Heath Manning "[Scrap the SGR and Use Markets to Control Costs](#)"

Hadley Heath Manning "[Medicare: A Choice of Two Futures](#)"

## *Action Items*

- Ask your friends and family how they feel about Medicare's budget crisis. It's always easier to see the benefits of government programs – like seniors receiving health insurance – but it's important to see the costs. Ask if they think that government should dramatically reduce doctors' pay (and put seniors' care in jeopardy) or if they would support a different direction for reform that would empower individual patients. Ask if they think it's

advisable to have a law on the books, like the Sustainable Growth Rate, that Congress has to suspend year after year. Explain how this law distorts our budget projections.

- Write a letter to the editor of your local paper the next time you read about a “doc fix” vote coming up in Congress. Explain the real cost of the SGR scheme and why meaningful, structural Medicare reform is necessary to protect taxpayers and to preserve the program for future generations of senior citizens.