

Replacing One Ignored “Trigger” with Another

If Democrats Like Fiscal Discipline, Why Not Pay for a Permanent SGR Fix?

“I will not sign [health care legislation] if it adds one dime to the deficit—now or in the future. Period. And to prove that I’m serious, there will be a provision in this plan that requires us to come forward with more spending cuts if the savings we promised don’t materialize.”

— President Obama, [address](#) to Joint Session of Congress, September 9, 2009

President Obama has promised that health “reform” legislation will cost less than \$900 billion, and will not add one dime to the deficit. However, his rhetorical promise of a “trigger” to impose additional spending cuts if costs exceed expectations belies the actions of the Administration and Democrats in Congress with respect to an existing trigger designed to keep Medicare spending at sustainable levels:

- Created as part of the Balanced Budget Act of 1997, the Medicare Sustainable Growth Rate (SGR) formula was designed in much the same way as the President’s new proposal. If Medicare spending on physicians’ services exceeded projections, future years’ payments would be reduced to offset that spending growth.
- While imperfect, the SGR was designed as a cost-containment mechanism to help deal with Medicare’s exploding costs, and to some extent it has worked, forcing offsets in some years and causing physician payment levels to be scrutinized annually as if they were discretionary spending. However, Congresses of both parties have previously acted to forestall one year’s cuts by imposing additional cuts in future years rather than offsetting the entire cost up-front. The result has created a projected 21 percent cut in physician reimbursements this January, followed by cuts of 5 percent in future years.
- The White House has proposed a new “solution” to this fiscal dilemma—one that involves hundreds of billions in new deficit spending. In its February [budget](#), the Administration proposed incorporating an additional \$330 billion into the budgetary baseline—increasing federal spending without offsets—to reflect adjustments to the SGR formula, giving physicians within Medicare an increase of approximately 1 percent annually for the next ten years. The budget document justifies this change as “reflect[ing] our best estimate of what the Congress has done in recent years” to forestall physician payment cuts.
- In a similar manner, House Democrats’ government takeover of health care (H.R. 3200) would amend the SGR formula to provide a zero percent increase over the next decade—the total cost of which stands at \$285 billion over ten years, according to the Congressional Budget Office. However, like the Administration’s budget proposal, H.R. 3200’s new SGR spending is also not paid for—but the assumption that a permanent “doc fix” somehow “doesn’t count” for deficit purposes has led some Democrats to make the false assertion that their bill is deficit-neutral.
- Conversely, legislation unveiled by Senate Finance Committee Chairman Baucus does not include a permanent fix to the SGR formula, choosing instead a one-year, 0.5 percent increase in 2010 at a

cost of \$10.7 billion. However, because the legislation specifies that the 2010 increase shall not be taken into account when determining future year spending targets under the SGR, physicians would receive a 25 percent decrease in reimbursement levels beginning in 2011, and further reductions in 2012 and future years, under the Baucus bill—an action which, given past Congressional actions to override scheduled physician payment cuts, many would view as highly unlikely.

- In other words, confronted with a spending trigger very much like the one the President wants to impose on the entire health care system, the Administration and House Democrats have acted to override the trigger entirely to create hundreds of billions in new federal spending, while the Senate Finance Committee would ignore it in the hope that an as-yet-undetermined solution arrives in the future.

Given the general unwillingness to tackle a twelve-figure shortfall at a time when the federal deficit approaches \$1.6 trillion, many may have sharp questions about the larger budgetary implications of the SGR—and any future “triggers” on federal health spending:

- Will Democrats spend more than one-quarter of the President's overall \$900 billion spending cap on an SGR fix?
- If they do not fix the SGR now, how do Democrats propose to solve this problem in the future? Will additional savings be taken out of Medicare over and above the \$400-500 billion being contemplated in this round of “reform?” Will taxes be raised to increase Medicare reimbursements to doctors? Or will Democrats choose additional deficit spending in future years even though President Obama has pledged that his plan will not add “one dime” to the nation's budget deficits?
- How does either overriding or ignoring the budgetary implications of the SGR qualify as “fiscal discipline?”
- If Democrats cannot arrive at a permanent SGR solution—one that does not add one dime to the deficit—as part of their health reform plans, why should anyone believe in the efficacy of the new “triggers” the President and some in Congress have proposed?

While Members may support reform of the SGR mechanism, many may oppose what amounts to an obvious attempt to incorporate a permanent “doc fix” into the baseline—a gimmick designed solely to hide the apparent cost of health “reform.” Moreover, many may believe that—given the President's commitment to create another SGR-like trigger to ensure budgetary discipline—any Democrat legislation that does not include a fully-paid for solution to the SGR problem, and chooses instead to defer those tough choices to another day and another Congress, is neither fiscally responsible nor publicly credible.

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