Fixing the 'Doc Fix'

Faux fiscal hawks may kill a genuine Medicare improvement.

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Still no apparitions of the Lady of Fátima, but health-care leaders in both parties are trying to repeal the phony Medicare payment scheme that has abetted a decade of budget dishonesty. What a pity other precincts in both parties are conspiring to defeat this political miracle.

Earlier this month the six Chairmen and Ranking Members of the committees with jurisdiction over Medicare released a bill that would permanently end the "sustainable growth rate," or SGR, the automatic formula that says doctor payments will be cut by 25% in April. The Senate Finance, House Ways and Means, and Energy and Commerce folks don't agree on much, but they're doing a service by agreeing to end this charade.

The SGR is supposed to chop provider reimbursement if spending rises too fast, but such steep cuts in practice would harm patient care and more doctors would refuse to treat seniors. So since 2002 Congress has passed a "doc fix" to override the formula every time, often lasting for just a few months.

The SGR was a 1997 Newt Gingrich-Bill Clinton special to avoid the harder work of actual entitlement reform. The bookkeeping gimmick merely hides Medicare's true costs by moving future spending off balance sheet. Sometimes Congress "pays for" more current Medicare spending by swearing to pay doctors somewhat less in the fabled "out years"—cuts that are themselves a sham and later postponed. In a word, Congress cheats.

Doctors hate the uncertainty of the SGR, and Democrats bought the support of the American Medical Association for ObamaCare by promising to end it. They later reneged on the quid pro quo when the 10-year cost of repealing the SGR—then about a quarter-trillion dollars—made it harder to pretend that the bill would reduce the deficit.

That cost, which is merely the spending that shows up on paper, has since plunged by about half. The lower number is largely an artifact of the Congressional Budget Office's conventions when scoring legislation, but it made a permanent fix more politically manageable. The committees have spent the last year debating a replacement.

Their bill doesn't apply the wrecking ball that Medicare fee-for-service price controls deserve, though it does make modest progress toward more modern payment models. The problem is that Democrats and Republicans on the committees are deadlocked over how to pay for SGR repeal, while many backbench Republicans and even some Democrats are assailing the bill for supposedly adding to the deficit.
Welcome to the anti-reality of the sustainable growth rate. What's adding to the deficit is traditional Medicare on present trend, not how the accountants keep track of the dollars ex ante. Absent reform, one way or another the money is going to be spent, and Congress can either continue to do so in incremental doc-fix slices or admit in advance that it was always going to do it. The latter option is better as truth in entitlement advertising.

Here's a suggestion: Simply pass the bill as is and forgo the pretense of fake-paying for it, if only to destroy a vehicle for even more spending. The doc fix ritual inevitably becomes "must pass" and thus gets loaded up with ride-alongs. No one ever bothers to scrutinize these "extenders," and it's likely that they've cost more than the $150 billion or so Congress has used for short-term SGR patches over the last decade.

On top of Republican opposition, the SGR reform window is closing because Harry Reid and the Senate Democratic Campaign Committee are concluding that they'd rather keep the formula around as a fundraising and health-care provider intimidation tool.

In today's Washington a bipartisan, bicameral consensus—on health care, no less—doesn't come along every day, and Republicans are deluding themselves and fooling voters if they think retaining the SGR status quo is fiscal responsibility.