

'Doc Fix' In 'Fiscal Cliff' Plan Cuts Medicare Hospital Payments

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Legislation passed by Congress New Year's Day to avert the dreaded "fiscal cliff" would stop a scheduled payment cut in Medicare physician payments. But hospitals, which have to bear a major part of financing for that "doc fix," are not happy.

The bill would require that, over the next decade, hospitals pick up nearly half of the approximately \$30 billion cost of stopping a 26.5 percent payment cut for Medicare physicians, scheduled to begin today.

The 26.5 percent reduction for doctors comes from a payment formula created in a 1997 deficit reduction law. For the first few years, doctors received modest pay increases. But in 2002, doctors reacted with fury when they came in for a 4.8 percent pay cut under that plan. Every year since, Congress has staved off the scheduled cuts.

The package would reduce hospital payments in two ways. First, it would cut \$10.5 billion from projected Medicare hospital payments over 10 years for inpatient or overnight care through a downward adjustment in annual base payment increases. The Senate measure also would reduce Medicaid disproportionate share payments to hospitals by an additional \$4.2 billion over the next decade. These cuts are on top of those made to hospitals as part of the 2010 health care law.

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