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President Obama's 2012 Budget Proposal Would Delay a 25% Reduction in Medicare Reimbursement

According to the budget submitted by the President to the Congress, the reimbursement reduction for physicians would be delayed from January 2012 to January 2014. The \$62.2 billion “doc fix” component of the budget would be funded by cutting the Medicaid tax threshold and Medicaid outlays for durable medical equipment and increasing the number of lower-cost generics on the market. These measures would offset the \$54.4 billion cost of the physician reimbursement cut and would yield an additional \$7.8 billion in savings.

The budget debates continue to gain national attention as both sides have talked about a government shutdown. The \$62.2 billion “doc fix” is a major aspect of the federal budget and will certainly be debated as the President and Congress wrestle with the budget. The concern for employers and plan sponsors is that steep reductions in Medicare reimbursement to providers may result in physicians looking to increase commercial rates to make up for the lost compensation, thus increasing private insurance costs.

The entire budget can be found at www.hhs.gov/about/FY2012budget/fy2012bib.pdf

To view testimony from CMS on the Medicare reimbursement issue, visit <http://budget.house.gov/UploadedFiles/fostertestimony1262011.pdf>, or to view the White House blog, visit www.whitehouse.gov/blog/2011/01/26/health-care-costs.

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