

That's Rich

Physicians say the health care system will fall apart if lawmakers don't protect their salaries. Actually, they could afford a hefty pay cut. **By Margot Sanger-Katz**

Here comes the physician lobby's annual ritual: begging Congress for a "doc fix." Since 2002, a misguided formula that tied Medicare payments to collective productivity targets would have reduced doctors' income every year. The lobbyists' job is to persuade Congress to override that formula and keep doctors' pay stable—or even to give them a small raise. It's easy to convince lawmakers that docs shouldn't take pay cuts, but it's hard to get them to agree on where to find the money.

Few other actors in health care have enjoyed that kind of protection, and to pay for it Congress has routinely shaved payments to hospitals and other providers. The Affordable Care Act expanded insurance coverage by cutting elsewhere in Medicare and raising taxes. Doctors' pay, despite the flawed formula, has remained uniquely stable, even in the recent climate of deficit reduction. But this year, lawmakers are talking seriously about abolishing the scheme for good. That's because the Congressional Budget Office estimated an unusually low cost for a long-term fix. Several proposals are circulating, each of which would freeze current pay rates for several years and then award raises to doctors who meet certain quality targets. And even if Congress fails to overhaul the payment system, it will almost certainly approve another patch; doctors won't be taking any pay cuts.

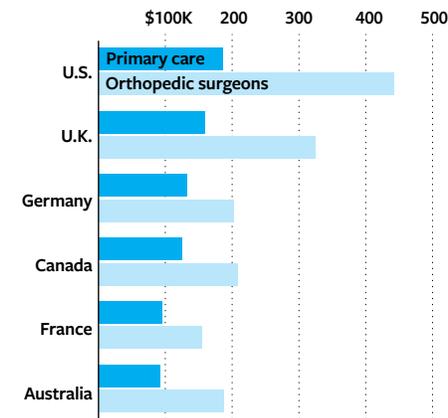
They've guarded their salaries zealously. Their lobbyists' arguments might make you think that Medicare rates and high medical-school loans leave them nearly destitute, but they remain among the best paid professionals in the United States—with some of the best job security and highest public regard. Orthopedic surgeons, who tend to treat a lot of elderly patients, earned an average of nearly \$450,000 in 2008, according to a 2011 *Health Affairs* study. (That's more than double the pay of the average U.S. lawyer and four times the pay of an average aerospace engineer, according to the Bureau of Labor Statistics.) Primary-care doctors, considered underpaid relative to their colleagues, now earn more than \$200,000. Median U.S. income in 2012 for all occupations was \$46,000.

And American physicians earn multiple times the incomes of their peers in other developed countries. Although they endure

Doctor Pay

Physicians' salaries are higher in the United States than in other countries.

Physician pretax earnings after expenses, 2008



Sources: Laugesen and Glied, *Health Affairs* (2011)

long training and graduate with six-figure debt, most are able to pay the loans off within 10 years. "Doctors are a sympathetic group and act beleaguered," says Robert Berenson, a doctor himself and a senior fellow at the Urban Institute. Many physicians, he says, could absorb a pay cut and still prosper.

Medicare typically pays doctors less than private insurers do, which is why, in surveys, doctors say additional cuts would cause them to favor higher-paying clientele. In a recent survey from the Medical Group Management Association, a physician-practice group, more than half of practices said they'd be somewhat or very likely to stop taking new Medicare patients if Congress abandoned the doc fix. More than one-third said they'd stop taking Medicare altogether.

Yet while some doctors could afford to do so, most probably could not. In primary care, particularly, where physicians are in short supply and young patients need their services, it would be easy for doctors to protect their incomes by reducing their share of lower-paying Medicare customers, and many already do. But in several medical specialties—orthopedics, cardiology, oncology, rheumatology—the elderly are the core of the customer base. People over 65 tend to use medical services at four times the rate of younger Americans, meaning it would be

hard for many doctors to turn away seniors and maintain a viable business.

It's not like physicians can't get a haircut. Doctors recently absorbed a 2 percent pay reduction, their first in a decade, when the sequester kicked in. Industry consultants have seen few major ripple effects. "There are a lot of scare tactics going on," says Martin Gaynor, a health economist at Carnegie-Mellon University. Gaynor doesn't endorse the big, all-at-once hit that would ensue if Congress failed to pass a doc fix, but he doesn't think the sky would fall if it did. "For all the gnashing of teeth and the tearing of clothes and the wearing of sackcloth by the medical profession and their advocates, I don't think things would be nearly as bad as they say."

The Medicare Payment Advisory Commission, which analyzes the program for Congress, suggests eliminating the unpopular pay formula but financing it with steep cuts in the rates paid to specialists and freezing payments to doctors in primary care. In 2011, it recommended cuts totaling 18 percent of current fees to be phased in over three years—and did not predict access problems for seniors.

That's not to say that cutting doctors' pay would have no effect. Several health economists predict a reshuffling, as some doctors gravitate away from Medicare and others merge with their competitors or local hospitals in an effort to negotiate better commercial payments in compensation. Boomer doctors who are close to retirement might bow out early rather than face a pay cut. All of those changes could prove politically problematic. "The Medicare population can be activated in protest," says Erik Johnson, a senior vice president at Avalere Health, a consultancy, who recalls a few recent salient examples.

Still, the supply of new doctors would likely remain undimmed in an era of lower compensation. Med-school applications are booming, as are applications from foreign-trained physicians to enter U.S. residency programs. Even current doctors, who enjoy high incomes, say their major career satisfaction is patient relationships, not financial rewards, according to a recent survey from the Physicians Foundation. "It's an inherently appealing profession," says Berenson, who adds that lower physician pay might have a "salubrious" affect. "We would have people who wanted to be in the profession for the right reason." ■