

# Editor's Notes

## Move Aside, Clifford:\* Medicare/ Medicaid is the Biggest Red Dog

By Stephen Jackson, M.D., Editor



Every year, the ASA Office of Governmental Affairs becomes more important to the future economic viability of our specialty. Their tenacious campaign moved Congress to rectify the egregiously unfair and illogical academic anesthesia teaching rule and enabled many of our respected but economically suffering residency programs to continue to operate with their customary excellence. Now, however, we must focus on Medicare's illogical and inexplicable RBRVS formula, with its 33 percent reimbursement rate for our specialty, one that continues to threaten to undermine the future of anesthesiology. The ASA's lobbying efforts will attempt to ensure that any healthcare "reform" somehow allows, at a minimum, negotiated payment rates.

Even though our fractious and caustic, partisanship-engulfed Congress abandoned attempts to lower the Medicare eligibility age to 55, we still must confront the undeniable realities of our healthcare "reform" and what Medicare and Medicaid are becoming. The California HealthCare Foundation reports that California has the largest number (4.5 million) of Medicare beneficiaries of any state, and as California's population ages, the percentage of Medicare recipients will continue to trend upward. Under the national healthcare "reform" bill, as many as two million low-income, previously uninsured Californians will be newly enrolled in Medi-Cal and other public coverage programs, and an additional two to three million would be able to obtain private healthcare insurance. Indeed, the bill does raise reimbursement for primary care physicians (PCP) to levels approximating those of Medicare, and this might encourage PCPs to treat existing and newly insured Medi-Cal beneficiaries. Our elderly population (those over 65) will more than double between 2000 and 2030, and that scenario is independent of any healthcare "reform." Medicare's payments

---

\*"Clifford the Big Red Dog" is a beloved American children's book series written by Norman Bridwell, initially published in 1963. As the storyline unfolds, the runt of a litter, Clifford, is a tiny and frail red dog who is selected by a little girl named Emily Elizabeth as her birthday gift. Her love for Clifford "enables" him to grow into a large (25 feet tall) dog, ultimately forcing Emily Elizabeth's family to have to move from their city home into the country. The size of this big red dog unquestionably dominates the story lines.

in California are \$600 higher per beneficiary than the national average. In 2004 and 2005, total annual medical payments for Medicare beneficiaries in this state averaged about \$11,300, of which \$7,000 was paid by Medicare, and \$1,300 was paid by the beneficiaries as “out-of-pocket” expenses. Add to this simmering cauldron the fact that in 2005, almost 80 percent of these beneficiaries suffered from two or more chronic conditions, and almost 40 percent had four or more. Given California’s already-existing overwhelming budgetary challenges, and the fact that the national healthcare “reform” bill’s infusion of federal funds will not fully offset the additional costs now heaped upon our state, California’s public health programs will encounter grave difficulty in funding this major coverage expansion.

The March 2010 issue of the journal *Health Affairs* reports the actuarial prediction that in 2011, for the first time in history, federal government programs will account for more than half of all United States healthcare spending. While federal funds accounted for 47 percent of the \$2.34 trillion of national health spending in 2008, that figure is projected to reach 50.4 percent by the end of next year, and this represents more than 17 percent of the Gross Domestic Product (GDP). Indeed, government healthcare programs constitute an increasing portion of the federal budget, which is laden with annual deficits exceeding one *trillion* dollars. National health spending grew 5.7 percent in 2009 (it had increased 4.4 percent in 2008), reaching the total of \$2.5 trillion, despite a projected decrease in the GDP. Accordingly, the resultant projected rate-of-rise of the health share of the GNP is the highest one-year increase since it was first calculated in 1960! Our weak economy with its high unemployment rate is pushing more citizens into Medicaid programs, and this represents a leading driver of the acceleration of the public payers’ health spending that is projected to rise 8.7 percent to \$1.3 trillion.

And then, in the other corner, we have the inadequately regulated pharmaceutical and profiteering private healthcare insurance industry, our poster boys for healthcare capitalism run amuck. Private health insurers plead dramatically increased costs and payouts as they cover new expenses by raising premiums, deductibles and copayments in order to preserve their all important medical-loss ratio, which, in turn, produces enormous payouts to their executives and dividends to their stockholders. And, bear in mind that there has been federal subsidization of premiums made available by the Consolidated Omnibus Budget Reconciliation Act (COBRA) to bolster private insurance. Assuredly, the decrease in private healthcare insurance enrollment will suffer further as unemployment maintains its depressing numbers and COBRA coverage threatens to expire.

## Editor's Notes (cont'd)

---

Prior to passage of the new federal legislation, national spending was predicted to grow more slowly in 2010 (5.2 percent), this in large part being attributable to a drop in Medicare spending growth from 8.1 percent to 1.5 percent. Under the mantle of the Sustainable Growth Rate (SGR) now in place, that Medicare figure would be significantly influenced by the mandated 21.3 percent reduction in Medicare reimbursement to physicians, while Congress continues to equivocate by pushing the implementation date for such a drastic cut further into the “near” future. Indeed, if this SGR “hit” were to occur, then national health spending would decelerate from the 2009 figure of 5.7 percent to 3.9 percent in 2010. Then again, organized medicine is working on the assumption that the 21.3 percent SGR hit will never be put into play, but the Fed’s continuous threats of such a massive cut places organized medicine in an endless defensive mode to protect an otherwise unacceptable *status quo*, essentially weakening and postponing any concerted offence to advocate for a meaningful increase in physician payments. As we can see, organized medicine has its hands full of challenges, including the absence of any tort reform in our newly adopted healthcare “reform.”

By the end of this decade, unless some cost-savings healthcare reform is enacted, approximately one in five dollars spent in the United States will be on healthcare, a magnitude not to be found in any other industrialized nation. The Congress then would face the options of reducing benefits (read this as rationing), neglecting quality of care issues, ratcheting down payments to physicians, hospitals, nursing homes, vendors and such, and/or finding new or expanded vehicles (read this as more taxes, even a federal sales tax) to raise revenue to cover health costs. It is projected that a decade from now, healthcare spending will be closing in on \$4.5 trillion. And, be alerted that the first baby boomers become eligible for Medicare as they turn 65 in 2011.

Yes, folks, **Americans** (sorry, Emily Elizabeth\*\*) **now own the biggest red dog of all—Medicare!**

The House of Medicine is fractionated amongst its warring ideological, specialty and mode-of-practice interests. As it struggles to regain its former preeminence as the single voice for American physicians, the AMA’s influence within the halls of Congress could soon falter. I strongly recommend that you read the article by Dr. Rebecca Patchin, fellow California anesthesiologist and current chairman of the AMA Board of Trustees, beginning on page 45. Moreover, if you have not yet done so, I urge you to read the two valuable articles on healthcare reform as it applies to anesthesiologists in the March 2010 *ASA Newsletter* by ASA’s

---

\*\* Emily Elizabeth is Clifford’s friend.

## Editor's Notes (cont'd)

---

Immediate Past President, Roger Moore, M.D., and ASA's Executive Vice President in Washington, D.C., and general counsel, Ronald Szabat, J.D., LL.M.

I also encourage you to read the fascinating Guedel article on the history of our specialty by Dr. Merlin Larson in this issue of the *Bulletin* (see pages 55-60). Following upon the spirit and essence of that article, your editors are calling upon all of our readers to consider contributing to a column that we had initiated over 13 years ago called "Tips From The Top." These short articles are *written by you*, giving you, our CSA members, an opportunity to publish what you believe to be your uniquely innovative and successful techniques or maneuvers that enhance the anesthetic management of your patients. These "Tips" also can focus on improving physician well being, decreasing physician stress, increasing efficiency/productivity, or containing costs. They even can *challenge conventional wisdom* that you might believe to represent nothing more than unsubstantiated "pseudoscience." Of course, these "Tips From The Top" refer not only to the "top" of the operating room table, but also being at the "top" of your specialty. Don't hesitate to share your gems with your CSA colleagues, even if you are concerned with writing form, grammar, figures (if necessary), or any imagined or real barrier. Your *Bulletin* editors (we're truly a special breed of editors, a friendly lot) will help "perfect" your presentation for publication.

Finally, I am saddened to note the passing of Dr. Gil Kinyon, former editor of this *Bulletin*, President of the CSA, Assistant Secretary of the ASA, and beloved friend and sage advisor to so many of CSA and ASA leadership over the past half century. With his understated quick wit, "can-do" optimism, and seemingly boundless energy and enthusiasm, Gil inevitably was a joy to be around. We all shall miss him, and we wish his wonderful wife, Mary, and his family our sincere condolences. Please see the wonderful memorials to our beloved Dr. Kinyon by former CSA and ASA presidents, John Hattox and Peter McDermott, on pages 49-52.

### **CSA Bulletin Cover for Volume 59, Number 2 "McWay Falls"**

This is a photograph taken of McWay Falls in Julia Pfeiffer Burns State Park in Big Sur. The image was taken from the trail to the falls on April 5, 2008. A digital Nikon D80 using a Nikon 18-200 VR zoom lens was used without a tripod.

© Copyright 2008. This photograph was taken by Irving Olender, M.D., and is reprinted on the *Bulletin* cover with his permission.