

March 12, 2010

IN THIS REPORT...

1. President and Congress Look to Final Health Care Reform Efforts
2. Senate Acts to Stall Physician Payment Cuts
3. Internet Sales of Tobacco Products Would Be Restricted
4. FamMedPAC Contributes to Two House Legislators
5. State Government News: Wyoming's HSA Provisions, Arizona's Medicaid Cuts, and more

NEXT WEEK IN WASHINGTON...

- * The House of Representatives may vote on whether to approve the Senate passed health reform bill.
- * Health reconciliation bill may go to the House Budget Committee early next week.

1. HEALTH CARE REFORM MAKES FITFUL PROGRESS

President Obama is delaying his departure to Asia from March 18 to March 21 to work on health care, after making trips to Philadelphia and St. Charles, Missouri, this week to promote the legislation. The President began the week at Arcadia University outside Philadelphia taking the health insurance industry to task for hiking premiums and dropping coverage. Drs. Jeff Cain and George Shannon, members of the AAFP Board of Directors, attended the event on the stage with the President, who called on Congress to schedule an up-or-down vote on the health-care reform legislation. On Wednesday, he was in St. Charles pledging not to back down on health insurance reform.

However, Democratic congressional leaders, particularly those in the House, are having trouble rounding up the necessary votes. Nonetheless, the House leaders seem ready to begin the final process by having the House Budget Committee begin work on Monday, March 15, on a measure that would eventually be used to bring the Senate-passed health reform bill, the *Patient Protection and Affordable Care Act* (HR 3590), closer to the House version.

On Thursday, March 11, the Congressional Budget Office (CBO) released a revised estimate of the budgetary effects of HR 3590. CBO estimates that enacting the bill would reduce the federal deficit by \$118 billion from 2010–2019. The gross cost of the proposed expansions in insurance coverage over those 10 years would be \$875 billion, reflecting subsidies provided through insurance exchanges, increased net outlays for Medicaid and the Children's Health Insurance Program, and tax credits for small employers. Those costs are more than offset by revenues from an excise tax on high-premium insurance plans and savings from other coverage-related sources.

2. REDUCTIONS IN PAYMENTS TO PHYSICIANS COULD BE POSTPONED UNTIL OCTOBER

The Senate voted on Wednesday, March 10, to postpone until at least October 1 the cut in physicians' Medicare reimbursement rates. The Senate's version of a package of tax breaks and unemployment aid (HR 4213) passed on a vote of 62 to 36. House Ways and Means Chairman Sander Levin (D-MI) said

that the offsets in the Senate bill might be dropped before the legislation goes to the President. The administration wants to use several of those offsets to pay for a health care overhaul. Congress must finish consideration of this bill before it recesses for the Passover/Easter period; otherwise, the 21-percent reduction in payment rate for physicians would become effective again on April 1.

Once this measure is passed and Congress finishes its work on health reform, the Senate Finance Committee and the House Ways and Means Committee will begin drafting legislation that would extend the physician payment formula (with perhaps a specified increase) for several years.

3. SENATE RESTRICTS INTERNET SALES OF TOBACCO PRODUCTS

Late on Thursday, March 11, the Senate passed the *Prevent All Cigarette Trafficking (PACT) Act* (S. 1147) by unanimous consent. The bill will now go back to the House, which passed a similar version 397-11. On March 5, the AAFP joined nearly 2 dozen other physician and consumer groups in a letter supporting passage.

The PACT ACT requires Internet sellers of cigarettes and smokeless to do age and ID verification online at purchase and at delivery; makes it illegal to use the US Postal Service to mail cigarettes and smokeless tobacco products (with some minor sharply restricted exceptions); requires full tax payment to states and localities before delivery; sets high penalties for violations, and puts in place tough enforcement mechanisms states and localities can use. The PACT Act also gives state and local governments direct rights to enforce the Act against illegal Internet sellers in federal court (while protecting state and tribal sovereignty and immunity rights). If it becomes law, this measure should be useful in rebutting the cigarette companies' claim that if states increase their cigarette tax rates smokers will simply go to the Internet to buy tax-free cigarettes.

4. FamMedPAC SUPPORTS TWO INFLUENTIAL HOUSE MEMBERS

GR staff met with key legislators this past week at these fundraising events:

- **Rep. Dave Obey (D-WI)** is the Chair of both the House Appropriations Committee and the Appropriations Subcommittee which funds HHS programs including Title VII. Rep. Obey has supported increases in Title VII Primary Care Training Grants. He also voted for the House-passed health reform legislation, the *Affordable Health Care for American Act* (HR 3962) which would create a trust fund to provide additional resources for Title VII Primary Care Training.
- **Rep. Rush Holt (D-NJ)**, who serves on the House Education and Labor Committee, attended the event as well. Rep. Holt was disappointed that the NJ Medical Society failed to recognize the value of the primary care provisions included in HR 3962, which he also supported.
- **Rep. Diana DeGette (D-CO)** serves on the Health Subcommittee of the House Energy and Commerce Committee. Rep. DeGette believes that, on health care reform, the House will pass the Senate bill, followed by a reconciliation measure that the Senate will then approve. She has already started a list of provisions she wants to see "fixed" that will not be contained in the reconciliation resolution. These will have to be addressed next year, and she invited the medical specialty societies to come forward with provisions for inclusion in the "fix" legislation.

5. STATE GOVERNMENT NEWS...

- **Wyoming Governor Signs Health Care Demonstration Bill**
In an effort to rein in the state's health care costs, Wyoming Governor Dave Freudenthal (D) signed a bill (SF 61) to establish a new state pilot project to provide health care coverage to low-income residents. The bill reallocates \$750,000 from the state's Tobacco Settlement trust fund to establish personal health accounts for up to 500 participants, who can use the accounts to pay for preventive services, make deposits into personal health accounts or pay premiums for approved insurance plans. The Wyoming Health Insurance Pool will administer the project and form a committee to design a health benefits package and plan how to operate it, and the Department of

Health will evaluate the program's effectiveness. State health officials expect the pilot will not begin until July 2010 and will expire July 2015 unless continued by the state legislature.

- **New Wisconsin Law Requires Providers Disclose Prices**

Wisconsin Governor Jim Doyle (D) signed a bill (AB 614), requiring most health care providers—including physician offices with greater than three doctors and free-standing outpatient facilities—to disclose average prices for the 25 most common services provided. Hospitals will also need to disclose average prices for the 75 most common inpatient services and 75 most common outpatient services based on their contracts with commercial health plans. The new law also requires health plans to provide consumers with estimates of out-of-pocket costs. New Hampshire, Oregon, Massachusetts and Minnesota also provide price information for health plans. The specific prices negotiated by insurers with health care systems, doctors and other providers will remain confidential.

- **Arizona Budget Cuts Reduce Medicaid Eligibility**

Arizona legislators approved a series of budget proposals cutting \$1.1 billion in state spending. The legislation, which Governor Jan Brewer (R) is currently reviewing, eliminates KidsCare, Arizona's Children's Health Insurance Program (CHIP) which covers more than 47,000 low-income children. Saving the state \$138 million is a reduction in Medicaid eligibility, which removes 310,000 adults from the health coverage program. The legislation was largely modeled on the Governor's budget proposal submitted to the legislature in January. If approved, this will mark the first major cut of children's health care coverage during the recession.

- **Texas Rules Drafted Banning Discretionary Clauses**

At the request of the state's consumer advocate for insurance, the Texas Department of Insurance drafted rules that would ban health insurance policies from including discretionary clauses—or provisions giving an insurer discretion to interpret the terms of a contract. Twenty-two other states have such regulations in place. The Department, which currently is accepting public comments on the proposed rules, also offered a possible alternative to allow discretionary clauses only in relation to “medical status determination and benefit trigger issues in life, accident, health and disability insurance products.” If adopted, insurance providers denying coverage would be required to provide an independent review process for patients.