

GOVERNMENT AFFAIRS WEEKLY

A Report to the Board of Directors

February 9, 2007

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1. PRESIDENT'S BUDGET PROPOSES CUTS IN HEALTH

The Administration's FY 2008 budget for HHS calls for \$698 billion which is the same level requested for FY 2007 and a decrease of approximately \$711 million from the final spending level for FY '07.

Medicare

The Administration's Medicare proposals are designed to constrain spending rather than to improve health care. Net savings from Medicare in the budget total \$4.3 billion in FY 2008 and \$65.6 billion over five years. Administrative savings total \$1.0 billion in FY 2008 and \$10.2 billion over five years. Most of these savings come from reduced payments to physicians, hospitals and other providers.

Medicaid

According to an analysis by the House Budget Committee, the President's budget proposes legislative cuts to Medicaid of \$12.0 billion over five years (\$29 billion over ten years) and imposes another \$12.7 billion in cuts through regulatory changes over five years, for total gross cuts of \$24.7 billion over five years. The budget includes \$1.1 billion in Medicaid costs over five years, for a net effect of \$23.6 billion in Medicaid legislative and regulatory cuts.

State Children's Health Insurance Program (SCHIP)

The President's budget calls for restricting the SCHIP program to children at or below 200 percent of poverty. It requests approximately \$5 billion over 5 years for additional allotment funds, a level below what is needed to maintain current benefits for those now covered by SCHIP.

Agency for Healthcare Research and Quality

The FY 2008 budget request for AHRQ is \$330 million, an increase of \$11 million over the President's FY 07 request. This provides funding for the Secretary's Personalized Health Care Initiative and the Value-Driven Health Care Initiative.

The budget also supports efforts to improve patient safety through the implementation of proven information technologies and through establishing and maintaining a network of Patient Safety Databases as mandated by the *Patient Safety and Quality Improvement Act*.

Family Medicine Training

This budget again would eliminate Title VII Health Professions Grants, except for \$10 million in Scholarships for Disadvantaged Students.

Community Health Centers

The budget includes \$207 million for the President's Health Centers Initiative to establish new centers.

National Health Service Corps & Rural Programs

This budget calls for \$116 million, a decrease of \$10 million, confident that it will continue to support more than 3,400 clinicians. The FY 08 request would cut rural health programs to \$17 million from \$160 million in FY07.

2. PHYSICIAN PAYMENT AND THE MEDICAL HOME

As part of the AAFP's efforts to persuade Congress to reform the Medicare payment formula for physicians and other providers, AAFP Board Chair, Larry S. Fields, MD, and AAFP President-Elect, Jim King, MD, met with Sen. Max Baucus (D-MT), the Chairman of the Senate Finance Committee, and his staff to review the concept of the patient-centered medical home as a way to reshape health care to be more primary care based and less costly overall. They pointed to the North Carolina Medicaid program, administered by Allen Dobson, MD, a family physician, that uses a medical home for Medicaid patients and has demonstrably improved care and reduced system costs.

3. INCREASED FUNDING FOR PRIMARY CARE TRAINING

The Senate is debating the House-passed Continuing Resolution (CR) to fund the federal government through FY 2007. Some Senators may offer amendments proposing across-the-board cuts to pay for spending on their priorities. Any revisions of the CR will require a time-consuming conference with the House, so the Senate leadership is working to pass the bill without amendment. The House-passed CR provides \$184 million for Title VII programs. Primary care and dentistry training will get \$48.8 million, an increase over last year's level of \$40.9 million.

4. HOUSE COMMITTEES HOLD BUDGET HEARINGS

HHS Secretary Michael Leavitt was called before the House Committees on Energy & Commerce and Ways & Means to explain the President's budget request. E&C Chairman Dingell (D-MI) was critical of cuts proposed for SCHIP, Medicaid and Medicare and specifically objected to the 10-percent reduction in Medicare physician payments scheduled for January 2008. New Health Subcommittee Chairman Rep. Frank Pallone (D-NJ) and new Committee

member Rep. John Barrow (D-GA) echoed SCHIP criticism. Rep. Tim Murphy (R-PA) was concerned that President's increases for community health centers failed to address the "insufficient number of physicians and nurses." Reps. Michael Burgess (R-TX), Albert Wynn (D-MD) and Jim Matheson (D-UT) all expressed concerns about Medicare physician payments and the need to address the Sustainable Growth Rate formula.

In Ways & Means, Rep. Earl Pomeroy (D-ND) expressed concerns about the SGR and rural health care, and Rep. Joe Crowley (D-NY) cited the need to address health professions shortage areas.