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IN THIS REPORT...

1. Health Care Reform Options in Congress Remain Muddled
2. Debt Limit Bill Passes Senate
3. FamMedPAC Supports Key Appropriator
4. State Issues

NEXT WEEK IN WASHINGTON...

- * February 1 – President’s Budget for Fiscal Year 2011 Released
- * HHS Secretary and OMB Director will be testifying at House and Senate Committee Hearings on President’s FY 2011 Budget Request

1. HEALTH CARE REFORM OPTIONS REMAIN MUDDLED

“Stalled,” “flatlined,” “on the back burner” and “on life support” are a few of the catchphrases still being tossed around this week in the wake of the Massachusetts Senate election last week and the State of the Union Wednesday evening. While the White House, Senate and House still chide each other publicly, but hold behind-the-scenes meetings exploring a “way forward,” no clear direction has emerged. Nevertheless, Democratic leaders remain optimistic that some sort of health care reform legislation will pass.

Options that have continued to rise and fall in popularity are passing the Senate bill in the House and adding House must-haves; using the reconciliation process, which requires only 51 votes but only can include provisions related to taxes, revenues and entitlements, thereby cutting out critical components; passing only those provisions that receive universal agreement, e.g., banning pre-existing condition exclusions; and, as of yesterday, passing a bill in the House with undetermined small-scale health care changes by February 11 with comprehensive legislation to come later.

Unfortunately, these options come with the following caveats: House Speaker Nancy Pelosi (D-CA) has said she cannot pass the Senate legislation in the House; reconciliation is opposed by moderate Senators; insurance reforms, e.g., banning pre-existing condition exclusions is linked, to be successful, to a mandate, subsidies, etc., which begins to look like the controversial House and Senate bills; and the chances of passing a larger reform effort could fade as the Administration and Congress move onto jobs and the economy.

Commentators’ responses to President Obama’s State of the Union address regarding health care ranged from noting that his remarks came 30 minutes into the address, comprised only a few paragraphs and omitted any mention of a clear resolution, to those who believed he spoke forcefully and realistically about the continuing need for reform while acknowledging that the nation’s attention had moved to the economy.

2. DEBT LIMIT BILL PASSES SENATE

On Thursday, the Senate passed H J Res 45 to increase the statutory limit on the federal debt that included a provision to codify pay-as-you-go language. The amendment to add the statutory "PAYGO" language, offered by Senate Majority Leader Harry Reid (D-NV), would require most new mandatory spending or tax cuts enacted in a year to be offset by spending reductions or tax increases, although it would provide exceptions for the extension of some current policies as well as emergency spending. The House passed a stand-alone pay-as-you-go bill (HR 2920) last July and has added the text to other legislation it has sent to the Senate.

One of the exemptions made to the PAYGO rule addresses the Medicare SGR. The amount specified in the measure would allow for a five year freeze. However, this bill does not actually prevent the 21 percent cut from taking effect on March 1. It permits only up to \$82 billion in spending for an SGR fix to be exempt from offsets under PAYGO requirements. Congress must enact separate legislation to prevent the SGR cuts prior to March 1, 2010.

3. FAMMEDPAC SPONSORS EVENT FOR REP. JESSE JACKSON, JR.

GR staff attended a fundraiser for Rep. Jesse Jackson, Jr. (D-IL), a member of the House HHS Appropriations Subcommittee. Discussion of the previous night's State of the Union address dominated the event. Rep. Jackson supported the President's call for full employment but was frustrated that he raised the issue of gays in the military in an election year.

Rep. Jackson believes that health reform is dead, due not only to the Massachusetts Senate loss, but also because Americans now care chiefly about their own financial situation. "Once people have jobs then they'll have health coverage," according to Rep. Jackson. GR staff suggested that health reform would help since American workers' wages have stagnated in part because of our costly, fragmented system of health care.

Regarding the potential 21 percent cut to Medicare physician payment rates on March 1, Jackson said that he could not imagine that Congress would let the cut take effect and was interested in helping to prevent it.

When asked about the Illinois Senate race, Rep. Jackson said it likely will be a loss for the Democrats. He also mentioned that his father had opposed his first run for Congress to support then-Illinois State Sen. Alice Palmer for the seat. Rep. Jackson defeated Palmer in the primary and she was unable to collect enough signatures in time to get on the State ballot for her old seat, which went to now-President Obama.

4. STATE ISSUES

California Regulations Impose Time Limits on HMO Providers

Complying with a bill enacted by the state legislature in 2002, the California Department of Managed Care is implementing new rules effective January 2011 intended to increase patients' access to HMO providers for non-emergency care. As the first state to set time standards for HMOs, California is requiring that patients can:

- Have access to a health care professional at all times;
- Obtain an appointment for urgent care within 48 hours of a request;
- Receive a response from a physician's office within 30 minutes of a phone call;
- See a physician within 10 business days of an appointment request; and
- Visit a specialist within 15 business days of an appointment request.

Free Prescription Drugs for North Carolinians in Need

A pilot program that began last year has been expanded statewide to provide low-income North Carolinians with free access to needed prescription drugs. NC MedAssist, a community

pharmacy that has dispensed over \$30 million in free prescription medicines, will administer the program. The mail-order central pharmacy provides free brand name and generic drugs, which are donated by participating pharmaceutical companies. Eligibility consists of North Carolina residents, adults or children, who are: (1) living at or below 200% of the Federal Poverty Level but do not qualify for Medicaid, Veterans Administration or private health insurance; or (2) Medicare Part D participants who fall into the “donut hole.” A grant of \$873,000 from Cooper’s Consumer Protection and Education Fund will fund the program for the first year.

Iowa Legislature Aims to Expand State Reform Efforts

State legislative leaders unveiled legislation to enact the recommendations of the bipartisan Legislative Health Care Coverage Commission this week in Des Moines. The commission—chaired by Ames, Iowa family physician and FamMedPAC director David Carlyle, MD—made three key recommendations:

- Establish regional provider networks, using currently available funds, to allow IowaCare recipients to receive primary care closer to home. IowaCare is a coverage program limited to those under 200% of the poverty level—about \$44,000 per year for a family of four.
- Create an Iowa Choice Exchange to allow health insurance purchasers to compare health plans based on clear, standardized information on policies.
- Expand coverage, based on available federal funding assistance, through creation of IowaCare Plus, which would allow families from 200-300% of the poverty level to purchase subsidized-premium coverage and allow families up to 400% of the poverty level to purchase plans according to already-established affordability guidelines. The program also would increase payment to rural hospitals for emergency and currently uncompensated services.

Video of the press conference, featuring Dr. Carlyle and Iowa Senator Jack Hatch—a speaker at the AAFP 2009 State Legislative Conference—is available at

<http://www.senate.iowa.gov/democrats/126-pressconference-healthcare/>

Oklahoma Reduces Medicaid Reimbursement Rates -- The Oklahoma Health Care Authority board approved a 3.25 percent reduction in reimbursement rates paid to providers who participate in SoonerCare, the state’s Medicaid program. The cuts, which were required to accommodate a decrease in state revenue, will go into effect April 1. The budget reduction amounts to about \$5 million; however, the decrease in matching federal funds results in a total cut of \$20 million.

Budget Cuts to Public Services in Missouri – In Missouri, Governor Jay Nixon (D) submitted his budget proposal for the next fiscal year to the state General Assembly. Of the \$253 million in cuts proposed, \$121 million are from the state’s Medicaid program. These cuts would not result in the elimination of any Medicaid services or eligibility reductions, but would reduce provider reimbursement rates and require improved management of higher-cost clients.

Arizona Decreases Medicaid Eligibility and Eliminates Children’s Coverage – Facing an estimated \$3 billion deficit for FY 2011, Arizona Governor Jan Brewer (R) proposed a state budget including both spending cuts and tax increases. The state legislature will consider reducing the income limits for Medicaid eligibility by 25 percent, or about 310,000 people, and eliminating KidsCare, which provides health insurance to 47,000 children ineligible for Medicaid. The proposal also increases the state sales tax by one cent until 2013—which, in effect, would require either voter approval or a super-majority (two-thirds) vote by lawmakers.