

November 20, 2009

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NEXT WEEK IN WASHINGTON...

- * The Senate may begin debate on its combined health reform bill.
- * The House will be on recess for Thanksgiving.

1. MERGED SENATE HEALTH CARE REFORM LEGISLATION OFFERED

Senate Majority Leader Harry Reid (D-NV) unveiled an \$848 billion health reform bill that would provide health insurance to 31 million more people. The bill would reduce the federal deficit by about \$130 billion over 10 years and by another \$650 billion over the following decade. The deficit reductions could help Sen. Reid garner votes from several moderate Democrats who are still undecided on the measure. He will need all 58 Democrats and two independents to vote to begin the floor debate. The vote is set for Saturday, November 21 at 8 PM.

The Senate Democratic leadership bill overhauling the nation's health care system would trim federal spending on Medicare, Medicaid and other federal health programs by \$491 billion in 2010-19, according to the Congressional Budget Office. Permanent reductions in the annual updates to Medicare's payment rates for most services in the fee-for-service sector — other than physicians' services — would account for \$192 billion of those savings. Another big slice would come from payments to private health plans in Medicare. These "Medicare Advantage" plans would see cuts totaling \$118 billion over the 10 years.

Hospitals would see a reduction totaling \$43 billion in Medicare and Medicaid "disproportionate share hospital" payments, which are made to facilities treating large numbers of uninsured or underinsured patients.

The legislation also would establish an Independent Medicare Advisory Board, which would be required, under certain circumstances, to recommend changes to the Medicare program to limit the rate of growth in that program's spending. The recommendations would take effect automatically unless blocked by legislative action. The estimate said "this arrangement would reduce Medicare spending by an additional \$23 billion over the 2015–19 period." Cuts to government health programs along with tax increases would be used to fund coverage of the uninsured. By 2019, CBO estimates, the share of legal nonelderly residents with insurance coverage would rise to 94 percent from 83 percent now.

Inflation-adjusted Medicare spending per beneficiary “would increase at an average annual rate of roughly 2 percent during the next two decades — much less than the roughly 4 percent annual growth rate of the past two decades. The bill would cut the federal deficit \$130 billion over the 2010-19 period, or by \$77 billion. In the second decade, the amount of deficit reduction would equal about one-quarter of a percentage point of the Gross Domestic Product. The bill “would probably continue to reduce budget deficits relative to those under current law in subsequent decades,” the analysis says.

The estimate does not include added administrative costs of implementing the legislation, such as some \$5 billion to \$10 billion that would be required for added staffing in 2010-19 at the Centers for Medicare and Medicaid Services. CBO estimates that state spending on Medicaid, which would cover many of the uninsured by raising income eligibility to 133 percent of the federal poverty line, would increase by about \$25 billion over the 2010–19 period.

The public plan would be a relatively small factor in insurance coverage. “Roughly one out of eight people purchasing coverage through the exchanges would enroll in the public plan . . . meaning that total enrollment in that plan would be 3 million to 4 million.” States could pass laws opting out of the public plan; the estimate assumes about two-thirds of the U.S. population would have a public plan available in their state.

2. HOUSE PASSES MEDICARE PHYSICIAN PAYMENT REFORM BILL

The House Thursday passed, 243 to 183; a \$210 billion bill to prevent 21 percent cut in Medicare physician payments and to make permanent changes to the formula used to determine how much they are paid. The House-passed bill, the *Medicare Physician Payment Reform Act of 2009* (HR 3961), had the strong support of the Obama Administration which has called for comprehensive reform for the Medicare physician payment system. In the November 18 Statement of Administration Policy, the White House indicated that it “also supports the provisions that provide a boost to primary care providers by increasing payments for evaluation and management services, such as office visits.”

Although the Senate last month rejected a similar bill (S 1776) by voting down a procedural motion, 47 to 53. Senate Majority Leader Harry Reid (D-NV) has pledged to bring the physician payment bill back up after the Senate finishes work on a health care overhaul.

3. SMALL BUSINESS HIT BILL PASSED UNDER SUSPENSION IN HOUSE

On November 18, HR 3014, the *Small Business Health Information Technology Finance Act* was passed under suspension of the rules in the House. (This procedure is used for non-controversial bills that are expected to pass easily.) The bill had been introduced by Rep. Kathy Dahlkemper (D-PA) and supported by the AAFP. An Academy representative testified before the House Small Business Committee over the summer. The bill would “create a new lending program within the Small Business Act to provide small healthcare providers with reduced cost loans for the purpose of purchasing Health Information Technology (HIT). These loans would be guaranteed up to 90 percent and would have a subsidized deferment period of up to 3 years.” In short, providers could go to their local banks and receive loans at more favorable rates with which to purchase HIT.

4. AAFP GRASSROOTS REACH OUT TO LEGISLATORS ON SGR AND HEALTH REFORM

On Tuesday, AAFP Grassroots sent an alert targeted to AAFP members living in congressional districts represented by a legislator identified as a “key vote” on HR 3961, the *Medicare Payment Reform Act*. AAFP members were asked to call their Representative and urge him or her to support HR 3961.

Connect for Reform members also contacted the hill this week asking legislators to support HR 3961 and urging Senators to keep health care reform legislation moving. While we can't keep track of phone calls, AAFP members sent 528 emails to the House in support of HR 3961 (over two weeks) and more than 250 emails to the Senate in support of advancing the health care reform debate.

5. FAMMEDPAC REPORT

GR staff attended a general PAC event for **Rep. Dan Maffei (D-25-NY)**. Rep. Maffei has a good relationship with the New York AFP chapter. He will be voting for the Medicare physician payment bill, in spite of his concerns that it is neither large enough nor offset. He is aware of a physician shortage and worries that the annual Medicare SGR game is discouraging students.

GR staff attended a general fundraising event for **Sen. Barbara Mikulski (D-MD)**. Sen. Mikulski serves on both the Appropriations and the HELP Committees. Sen. Mikulski commended AAFP support for health reform and pointed out that the HELP Committee used our patient-centered medical home language in their bill. She then went on to say that an OB-GYN might be the PCMH for "child-bearing" women. When we raised the Medicare SGR, Sen. Mikulski was sure that the Senate would eventually get it passed.

6. STATES ATTEMPT TO ADDRESS BUDGET GAPS

Nearly all states are facing or expect to face a budget deficit in the next year, and consequently, legislators and governors are already making reductions to state funded services.

- Colorado Governor Bill Ritter (D), facing a \$1 billion shortfall for FY2010-11, recently submitted a balanced budget for legislative approval. The budget includes a \$28 million cut to the state's Medicaid program including a one percent reduction in Medicaid provider rates, although enrollment in the program has increased by 45 percent over the past three years. The proposal also includes a state sales tax on candy and soda.
- New York Governor David Paterson (D) recently released a two-year, \$5 billion Deficit Reduction Plan that would eliminate the state's current budget gap without raising taxes or major structural reforms. The plan includes a \$287 million cut to the state's Medicaid program, a \$184 million cut to other health and mental hygiene programs, and a more aggressive plan targeted at Medicaid fraud. The Legislature returned briefly November 10 for a special session, and the Governor plans to call two additional extraordinary sessions next week to address the current-year deficit.
- South Dakota Governor Mike Rounds (R) must submit a FY 2010 budget to the Legislature by December and is not expected to include any tax increases. Although Medicaid providers were promised a 1.5 percent increase in the upcoming year, the state retracted the proposal saving \$5.5 million. Despite spending 33 cents of every dollar on Medicaid, the state has not approved inflationary adjustment since 2007.
- The Michigan Legislature sent the state's FY 2009-10 budget—which included an eight percent reduction to Medicaid providers—to Governor Jennifer Granholm (D). She signed the \$44.5 billion budget after vetoing more than 70 items and removing \$127 million from the proposed legislation.
- Indiana Governor Mitch Daniels (R) announced that due to reduced revenue collections, leaving the state more than seven percent below forecast, reductions to the state budget are in order. These cuts include across-the-board reductions for all state agencies and reimbursements for some Medicaid providers will be reduced.