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IN THIS REPORT...

1. Political Action for AAFP Members in Super Tuesday States
2. Senate Finance Committee Holds Second Hearing on Medicare Advantage
3. Budget Proposes Deep Cuts, Elimination for Key Health Programs in FY 2009
4. Medical Home Legislation Takes Off in State Legislatures
5. Treasury Department Would Garnish Pay of Doctors Who Don't Pay Taxes
6. FamMedPAC Hears from Congressional Campaigns
7. State Governments Act on Health Issues
 - Colorado's Health Reform Initiative
 - Iowa's Health Coverage of All Children
 - Massachusetts' Plan to Use Tobacco Taxes for Health Care
 - Washington's Oversight of Individual Insurance

1. SUPER TUESDAY SPURS POLITICAL INVOLVEMENT

Capitalizing on the increased political awareness from the political campaigns, this week the AAFP sent an email to 24,175 members in Super Tuesday primary and caucus states to educate them about grassroots advocacy and the different ways they too can get involved. The email described the AAFP Key Contact Program, Advocacy Action Team, and FamMedPAC and provided links to each program.

2. SENATE FINANCE CONVENES SECOND MEDICARE ADVANTAGE HEARING

The Senate Finance Committee conducted its second of three planned hearings on the Medicare Advantage program Thursday, February 7. Like the first, this hearing was attended almost exclusively by Democrats. The exception, Sen. Charles Grassley (R-IA), who is the senior Republican on the Committee, participated by making an opening statement and asking questions of the witnesses. Sen. Olympia Snowe (R-ME) attended but did not address the hearing.

The single panel of witnesses included Mr. Michael McRaith, Director of Insurance for Illinois; Mr. George Harper, Mayflower, AR (consumer); Mr. Peter Hebertson, Director of Outreach for Salt Lake County (Utah) Aging Services; and Mr. Patrick O'Toole, Vice President, Humana, Louisville, KY

Their testimony focused largely on the aggressive marketing tactics employed by companies and agents selling Medicare Advantage plans, including misrepresentation, incentive programs and lack of sufficient oversight. One witness described a MA salesman parking a van outside a senior center and herding people to the van by talking about "new Medicare benefits." Several accounts mentioned the sales agent indicating they were "from Medicare" and using "hard-sell" tactics.

Mr. McRaith, who was also testifying on behalf of the National Association of Insurance Commissioners (NAIC), described the common incentive programs employed in the industry

and how they caused agents to stress numbers of policies issued. Mr. McRaith called for national standards and local (state) enforcement options. Currently, state insurance commissioners have little to no oversight responsibility or capability with respect to this national program. He further indicated CMS is often slow to recognize that a complaint is a problem in need of addressing.

Humana VP O'Toole agreed with there should be national standards and accountability. He hastened to add that Humana has 2300 agents, all of whom are licensed, certified and trained and who adhere to a code of ethics. Two years ago, Humana investigated 1595 complaints against its agents and confirmed 259 of them. The company addressed all of these instances. He was unable to describe the company's incentive program for Medicare Advantage but said he knows one exists.

Senator Grassley joined Senator Max Baucus (D-MT) in his desire to rein in MA plans. The ranking member stressed his strong support for MA and said he insists they operate in all 50 states. "In 2003, Senator Baucus and I supported the encouragement of these plans to exist and provide Medicare choice to all our citizens, even those in rural America. We didn't get it right." We are holding these hearings because "we want to continue to provide this option, but at the same time we have to be good stewards of the taxpayers' money." He cited experiences conveyed to him by constituents who said they sought a Medigap policy only to discover some time later that they had been sold a Medicare Advantage plan.

He asked the panel if requiring the incentive program to be a "fixed level" incentive would be helpful. Mr. Raith responded that it would only address one of the problems, that of "churning."

The third MA hearing, to be conducted February 13, will focus on CMS oversight of Medicare Advantage. The chief witness will be CMS acting administrator, Kerry Weems.

2. BUDGET PROPOSES DEEP CUTS FOR KEY HEALTH PROGRAMS

President George W. Bush has proposed cutting Medicare and Medicaid, eliminating health professions training and some rural health programs and freezing medical research in a \$3.1 trillion budget for fiscal year 2009. The FY 2009 Bush budget sent to the Congress on Monday, February 4, would cut the Health and Human Services Department by \$2 billion, or 3 percent.

Congressional Democrats were quick to reject the Administration's budget request, saying that the Administration is proposing cuts for many programs vital to the public health and attempting to privatize Medicare.

Secretary of Health and Human Services Michael Leavitt insisted that the savings of \$196 billion over five years from both Medicare and Medicaid would only slow the rate of growth in these programs that provide health care to millions of poor and elderly. The President's budget calls for the annual growth of Medicare spending of 5 percent instead of the 7 percent currently projected. Spending growth would slow from 7.3 percent to 7 percent for Medicaid.

The Administration's budget is effectively silent on Medicare physician payment, only recognizing that it is scheduled to be reduced by 10 percent beginning July 1, 2008. Both Secretary Leavitt and CMS Acting Administrator Kerry Weems acknowledged that Congress may address physician payment reform this year. Administrator Weems recognized that Congress would need to cut other spending to offset physician payment increases, but the FY09 budget proposes no cuts in the Medicare Advantage program, a likely target of Congressional reductions.

For the State Children's Health Insurance Program (SCHIP), the Administration did propose an increase of \$19.3 billion over five years, compared to last year's request of \$5 billion over five years. Several legislators, including Senator Grassley, who argued for greater increases in last year's budget, were surprised and angry at the sudden change of direction. Last year, the Administration made the \$5 billion figure the absolute maximum it would accept in increases and vetoed two bills that had increases greater than \$5 billion.

Graduate medical education under Medicaid and Medicare Advantage payments to teaching hospitals for indirect medical education are targeted for elimination by the President's budget as is the entire Title VII health professions training program.

Other agencies within HHS either would receive no added funding or would lose money under the proposed budget. The budget would freeze the funding level for the National Institutes of Health at \$29.4 billion for next year. The Centers for Disease Control and Prevention would have \$400 million cut from the current budget of \$6.2 billion. Programs aimed at providing health care to the rural poor would see their budgets fall from \$6.9 billion to \$6.0 billion.

Congressional legislators of both parties have raised concerns about the cuts proposed in the President's budget, and it is likely that some or most of the appropriations work for FY09 will be postponed until after a new president is elected.

3. MEDICAL HOME LEGISLATION MAKES PROGRESS IN STATE LEGISLATURES



The patient-centered medical home concept continues to intrigue state legislators, with some 67 bills introduced in 20 states and the District of Columbia so far this year. These bills run the gamut from a mere mention of the term "medical home" to bills creating medical home demonstration projects or systems of care. AAFP staff continue to work with chapters to identify new bills as they are filed and to work towards incorporating the *Joint Principles of the Patient-Centered Medical Home* into such legislation.

While it may seem a large amount of work on the medical home is taking place, it is worth noting that many bills merely use the term "medical home" as a euphemism for "usual and customary source of care" or do not link the term to an existing administrative or statutory definition of the medical home.

Furthermore, no clear and consistent legislative or administrative language exists for the medical home. While there is significant state interest in the concept (nine administrative code references in seven states, 22 statutory references in 13 states), the notion of what the medical home precisely is or should be is inchoate entirely. Twelve of the states with statutory language based their notion on the earlier use of the term by the American Academy of Pediatrics for the concept for care of children with special health care needs.

4. MEDICARE AND MEDICAID PAYMENTS WOULD BE GARNISHED

The President's budget included a provision that would allow the government to screen Medicare Part A and B providers through the Treasury Department to identify and withhold payments from those who owe federal taxes. Legislation allowing the Treasury Department to take this action was approved by the House of Representatives on Wednesday, February 6.

The bill, HR 4848, also would extend for one year parity in the application of certain limits to mental health benefits.

5. CONGRESSIONAL CAMPAIGN COMMITTEES BRIEF FamMedPAC

Washington staff participated in two briefings this week, one sponsored by the Democratic National Committee and the other sponsored by the Democratic Senatorial Campaign Committee. FamMedPAC is a contributor to both and these briefings are held regularly for contributors. At the DNC briefing, Howard Dean, Chairman of the DNC, spoke about the current presidential race and his hope that the Democrats pick a nominee sooner rather than later. Once a nominee is chosen, the candidate can focus on the issues, particularly healthcare, and his or her differences with the Republican nominee. Senate Majority Leader Harry Reid (D-NV) also spoke and talked about the Senate's plans for the economic stimulus package, which passed the Senate later in the week.

At the DSCC briefing, Senator Ben Cardin (D-MD) spoke about the stimulus package. Staff of the DSCC went through the senate races and pointed out that it looks as if the Democrats will pick up seats in this election. Democrats are hoping to reach the filibuster-proof majority of 60 members.

Government Affairs staff attended a healthcare reception for the Blue Dog Coalition, a group of conservative to moderate Democrats. Because of their centrist position, the Blue Dogs are able to work across party lines on many issues. Several of the legislators expressed interest in the AAFP's medical home initiative. Funding for Title VII also was discussed, with several members asking for information on family medicine residency programs in their districts.

The direct marketing program for FamMedPAC is proceeding very successfully. Thus far, over 1200 members have been contacted by phone. Of those contacted, over 13 percent made a pledge to the PAC. Pledges total \$21,352, with an average pledge of \$134.29. The only members being contacted at this point are those who have never contributed to FamMedPAC, so these are all new supporters of the PAC.

The PAC has received \$50,805.00 in contributions since January 1, 2008.

STATE GOVERNMENT NEWS

- **Colorado Panel Issues Health Reform Recommendations**

A Colorado commission last week sent state lawmakers a [health reform plan](#) aimed at reducing the number of uninsured residents by 694,500, or 88 percent, while also reducing health care costs and enhancing quality. The report calls for all legal residents to have insurance coverage, in part by expanding eligibility for public programs, giving low-income workers sliding-scale subsidies to buy private coverage and requiring private insurers to cover people with pre-existing conditions. Employers would be required to offer employees pre-tax premium-only plans, but would not be required to help pay for the coverage.

- **Iowa Legislators Announce Plans to Cover All Children**

Legislators announced a health care proposal on Tuesday, February 5, that would extend coverage to all Iowa children. Senate Majority Leader Michael Gronstal (D) predicts the package will win approval, making it a first step toward ensuring all Iowans have health care.

Under the measure, the state would extend existing programs to an additional 25,000 youngsters who are eligible for health care but excluded because the state cannot afford to pay for their coverage. An additional 19,000 children without coverage would get a state subsidy to enroll in private health care plans. The legislation expands programs like Medicaid while putting in place funding to cover more children from low-income families. Families with incomes ranging from 200 percent to 300 percent of the federal poverty level would likely be eligible for a subsidy to purchase private health coverage.

- **Massachusetts Considering Tobacco Tax to Fund Health Care**

The state's top two legislative leaders, faced with the prospect of soaring costs for the healthcare initiative, are considering raising the cigarette tax as one of several funding and cost-cutting strategies. House Speaker Salvatore F. DiMasi (D) and Senate President Therese Murray (D) said a tax increase would be discussed as they look for ways to ensure that the universal health insurance initiative succeeds. The annual costs for the subsidized insurance program at the heart of the initiative are projected to double over the next three years, reaching \$1.35 billion by June 2011. More than 300,000 state residents have insurance.

Besides the cigarette tax, lawmakers said they would examine the penalties that businesses must pay if they do not provide health insurance for many of their workers. The state expects to receive about \$5 million in revenue from the penalties next year, tens of millions less than planned.

- **Washington Bill to Increase Oversight of Individual Health Insurance**

The Washington state Senate on Wednesday, February 6, voted 31-18 to approve a bill that would allow the Office of the Insurance Commissioner to reject "unreasonable" rate increases for individual health insurance plans. Under the measure, state officials' authority to review and approve annual rate increases would be extended from small-group plans to individual plans.

Beth Berendt, the state deputy insurance commissioner for rates, said the bill gives the state "the ability to challenge assumptions that are unreasonable." Critics of the measure say the bill would require insurers to use up to 77 cents of every premium dollar collected to pay medical claims, up from 72 cents. In addition, if an insurer does not pay out enough in medical claims, the extra premiums would be returned to the state rather than the policyholder. All of the state's major insurers oppose the measure, saying that it would interfere with the market and would not address rising medical costs.