



GOVERNMENT AFFAIRS WEEKLY

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1. TRUSTEES REVIEW THE HEALTH OF MEDICARE

On Wednesday, April 25, the House Ways and Means Health Subcommittee held a hearing on the 2007 Report of the Medicare Trustees. Present were Rep. Pete Stark (D-CA), who chairs the subcommittee, and Reps. Stephanie Tubbs Jones (D-OH), Lloyd Doggett (D-TX), Ron Kind (D-WI), Mike Thompson (D-CA), Philip English (R-PA) and Dave Camp (R-MI), the senior Republican member. The only witness was Richard Foster, Chief Actuary, Centers for Medicare and Medicaid Services.

Highlights of that report are:

- In 2006, 43.2 million were covered by Medicare, of which 36.3 million were 65 years old or older, and 7.0 million were disabled.
- \$402 billion in benefits were paid out.
- Income was \$437 billion, with \$408 billion in expenditures, or 3.1 percent of Gross Domestic Product; assets held in U.S. Treasury securities grew to \$339 billion.
- The HI trust fund is projected to decrease from \$305 billion to \$221 billion.
- The HI trust fund is projected to be exhausted in 2019, a year later than last year's report. This is due to slightly higher projected payroll tax income and slightly lower projected benefits than previously estimated.
- For the second straight year, the Trustees project that Medicare's outlays will reach the 45 percent threshold in 2013. Thus, the President is required to submit legislation to Congress within 15 days after he submits his FY 2008 budget proposal. This legislative measure would detail how the President would propose to save the funds necessary to keep Medicare solvent. However, no one really expects Congress would address this tough issue in an election year.

The Trustees' report is laced with comments about the Medicare physician payment issue. It points out, several times, that annual growth will average 6.6 percent over the next 10 years, but that is based upon current law. Congress has prevented physician payment reductions for 2003-2007 and is expected to prevent the 9.9 percent projected reduction in 2008. The report states that "Part B, total SMI, and total Medicare estimates shown for 2008 and thereafter are likely understated and should be interpreted cautiously...The Part B projections, in particular, may be understated by 25 to 40 percent in the long range and thus have limited usefulness."

Under questioning from Chairman Stark, Foster said lowering Medicare Advantage payments would put off insolvency by about two years (see item 3 below). He also noted that a

10=percent reduction in plan bids also put off insolvency. However, he and his staff have been questioning some bids as being too low and further questioned whether plans could adequately deliver services. Foster said his office is just now receiving claims data and it will take some time to study the information. Monthly beneficiary Part B premiums will exceed \$101.00 next year. If Congress continues to postpone physician reimbursement reductions, beneficiary monthly premiums will rise more sharply.

At a fundraising event, co-sponsored by FamMedPAC, Rep. Camp told AAFP Government Relations staff that Republican members of the Ways and Means Committee would oppose attempts by Committee Democrats to reduce the differential payment made to Medicare Advantage plans. Rep. Barbara Cubin (R-WY), who is on the Energy and Commerce Committee, contacted the AAFP Government Relations staff with the same message prior to a hearing in her subcommittee.

2. KENNEDY, DINGELL PROPOSE MEDICARE FOR ALL

Timed to coincide with *Cover the Uninsured Week 2007*, Sen. Edward M. Kennedy (D-MA) and Rep. John D. Dingell (D-MI) announced on April 25 their plan to cover all Americans by allowing anyone to enroll in Medicare. The AAFP Commission on Governmental Advocacy, at its May 18 meeting in Washington, DC, will consider the sponsors' request for support from family physicians.

Their "Medicare for All" plan (S 1218 and HR 2034) would let Americans choose to keep their current coverage, enroll in Medicare or join any of the plans offered through the Federal Employees Health Benefit Program. The costs of private coverage would be shifted from businesses and individuals to the federal government, adding \$600 billion a year to federal spending. According to Sen. Kennedy and Rep. Dingell, administrative efficiencies would yield savings and that costs would be fully covered by payroll taxes and general revenues and would not add to the federal deficit. They estimate that a payroll tax payment of 7 percent of payroll by businesses and 1.7 percent by workers would cover the cost of their plan.

3. STARK TO INTRODUCE BILL TO CUT MEDICARE ADVANTAGE PLAN PAYMENTS

House Ways and Means Health Subcommittee Chairman Pete Stark (D-CA) announced his intention to propose legislation to reduce Medicare reimbursements for private Medicare Advantage plans to help fund other health care proposals. Rep. Stark has asked the AAFP to support his proposal and the Commission on Governmental Advocacy will consider the request at the May 18 meeting.

The Medicare Payment Advisory Commission estimates that Medicare Advantage plans – which can cover extra benefits, such as vision and hearing tests and treatments – are 12 percent more costly than traditional Medicare's fee-for-service program for equivalent benefits. Rep. Stark said that he would use savings from the reduced Medicare reimbursements for MA plans to reverse the planned 10-percent reduction in payments for physicians for 2008. In addition, Rep. Stark said he would use the savings to provide more preventive care for Medicare beneficiaries and provide low-income beneficiaries with additional help with premiums and deductibles. Stark also said he could use some of the savings for a proposed expansion of SCHIP by \$50 billion over five years.

4. WV LOBBIES CCNC MODEL OF MEDICAID REFORM

The West Virginia AFP with the assistance of AAFP's consultant Steve Wilhide, has spent the week lobbying for Medicaid reform based on the Community Care of North Carolina Medicaid model. Evening meetings were scheduled with several legislators including the chairs of the House and Senate Health Committees with positive results. A briefing was held Friday morning with the Secretary of Health and key Medicaid policy makers.

5. OF INTEREST TO FAMILY PHYSICIANS

- **Genetic nondiscrimination passes the house**

On Wednesday, April 25, the House of Representatives overwhelmingly passed the *Genetic Information Nondiscrimination Act (HR 493)*, which would bar employers and insurance companies from collecting genetic information or using such data in decisions like hiring and firing, or for setting insurance premiums. The vote was 420 to 3.

Although the White House has indicated that the President would sign the bill, Senator Tom Coburn (R-OK) has placed a “hold” on the consideration of the Senate version of the genetic nondiscrimination bill while unspecified objections are addressed.

- **War supplemental heads to White House**

Democratic House and Senate conferees agreed on the fiscal year 2007 war supplemental spending bill (HR 1591) which contains \$650 million to cover the SCHIP shortfall. The measure faces a certain Presidential veto over the proposed Iraq withdrawal timetable.

The conference agreement delays proposed Medicaid cuts by preventing HHS from implementing proposed rules on Medicaid intergovernmental transfers and prohibiting HHS from finalizing or implementing a proposed Medicaid regulation restricting payments for graduate medical education. The measure would require use of tamper-resistant prescription pads under the Medicaid program. The conference report also includes \$624 million for influenza pandemic preparation and response. It passed the House on Wednesday by a largely partisan vote of 218-208 with 2 Members voting present. The Senate passed it Thursday 51-46