



# GOVERNMENT AFFAIRS WEEKLY

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AAFP Division of Government Relations - 2021 Massachusetts Avenue, NW - Washington, DC 20036

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## 1. CONGRESS BEGINS WORK ON CHILDREN'S HEALTH INSURANCE

On July 19, the Senate Finance Committee passed bipartisan legislation to extend the State Children's Health Insurance (SCHIP) program by a vote of 17-4. Progress on the bill was stymied as the issue became increasingly ideological: Republicans accused Democrats of pushing for de facto national health insurance and Democrats retorted that Republicans wanted to consign uninsured children to private insurance. The debate also revealed rifts among Republicans when the President issued a veto threat. Several Republican members of the Finance Committee objected to the President's threat and argued that the bill was not only "good policy" but was the most limited package they could negotiate.

Funding for the Senate bill is \$60 billion – a \$35 billion increase - and would expand coverage to children in households up to 300 percent of poverty. The measure is funded by increasing national tobacco taxes by \$.61, bringing the total tax per cigarette pack to \$1.00.

The White House had argued for only a \$5 billion program expansion and has said it would veto the Senate bill on the grounds that it is too expensive and would cover some adults. The latter is a practice that the Administration has supported in the past through state waivers.

The Senate bill does not address the SGR issue due to the inability to devise a plan to come up with sufficient offsets that has bipartisan appeal. The Senate could complete work on the SCHIP bill before recessing in early August, but it will more likely wait until September.

The House Energy and Commerce Committee and the Ways and Means Committee will vote on a bill next week. The *Children's Health and Medicare Protection Act* has not yet been introduced, but it reportedly will include the following:

- Provide a definite annual update of 0.5 percent for 2008 and 2009.
- Repeal the SGR and replace it with a new formula that would create six categories of expenditure targets each of which would have its conversion factor. Intentionally, the category primary care and preventive services (which would include most office visits) would be allowed to grow beyond GDP by 3 percentage points unlike the targets for the rest of the categories which would be limited to GDP.
- This new formula would become effective for 2010 and beyond. However, to meet budget projections this 5-year plan has to recapture about \$52 billion in leftover costs which increases the odds that even with the new formula and even with remaining under

the volume targets that updates would again be negative for 3 to 4 years beginning in 2010.

- Offsets to pay for all this would include cuts in the payment rates to the Medicare Advantage plans. Some money would also be captured by repealing the Physician Quality Reporting Initiative (PQRI), established by last year's *Tax Relief and Health Care Act*. And, like the Senate bill, this version would increase the federal tobacco tax.

The bill faces a very uncertain future. The Senate is likely to oppose the expansion of SCHIP, ending of the PQRI and reducing the subsidies to Medicare Advantage plans. In addition, the White House would oppose the expanded coverage in such a large SCHIP bill.

GR staff have met with members and staff of the committees of jurisdiction in both chambers. A legislative proposal to promote and extend demonstrations of the patient-centered medical home, including health information technology, has been prepared and reviewed. A version of this proposal may be incorporated into the chairman's draft of the Ways and Means bill.

## **2. HOUSE-PASSED FY 2008 HHS SPENDING BILL FUNDS TITLE VII**

On Thursday, July 19, the full House of Representatives passed the \$607 billion Labor-HHS-Education spending bill for fiscal year 2008 by a vote of 276 to 140. The House-passed bill (H.R. 3043) would provide \$68.2 billion for the Department of Health and Human Services for FY 2008, \$4.1 billion over FY 2007 or a 6.5 percent increase and \$5 billion above the President's budget request. The President has threatened to veto the House bill, and the vote total on final passage is one vote short of the two thirds majority needed to override a veto.

The Title VII Section 747 Primary Care Medicine and Dentistry Cluster would continue to be funded at the FY07 level of \$48.9 million by both the House-passed and the Senate Committee's bills despite the President's proposal to eliminate the program.

The White House released a Statement of Administration Policy opposing H.R. 3043 because when combined with the other FY 2008 appropriations bills, "it includes an irresponsible and excessive level of spending and includes other objectionable provisions." The statement singled out Title VII Programs for criticism and reiterated that the President's budget request "proposed to eliminate or reduce funding for a number of HHS activities that have not been proven to be effective, have already achieved their intended purpose, or are duplicative of other activities, such as Health Professions training grants and the Preventive Health Block Grant."

Although the Senate Appropriations panel is expected to have prepared 10 bills for the floor by the end of next week, finding floor time remains the issue. It is likely that the Congress will be forced to produce an omnibus spending package made up of several bills for FY 2008.

## **3. MEDICAL STUDENT DEBT RELIEF PASSES SENATE**

Very early Friday morning, the Senate passed the *College Cost Reduction Act* (H.R. 2669) on a vote of 78 to 18. The bill amends the *Higher Education Act* of 1965. In addition to reforming the Pell Grant and student loan programs, the Senate-passed bill includes a section to provide student loan deferment for the entire length of a medical or dental residency. Currently, debt can be deferred only up to three years while in residency.

The House version of the bill, which includes larger cuts to the subsidies for student loan lenders than the Senate bill, passed on July 11 under a veto threat from President Bush. Although the White House expressed "serious concern" with the Senate's version of the bill, it did not issue a veto threat. The differences between the two versions must now be worked out by a conference committee of the House and Senate.

#### 4. HOUSE PANEL APPROVES MENTAL HEALTH PARITY MEASURE

The House Education and Labor Committee voted 33-9 to approve the *Paul Wellstone Mental Health and Addiction Equity Act* (H.R. 1424), to require insurers offering mental health coverage as part of health insurance packages to provide benefits for mental illnesses on par with the coverage of physical ailments. H.R. 1424 was also referred to the House Committees on Energy and Commerce and Ways and Means for consideration.

#### 5. GRASSROOTS

As of July 20, AAFP members sent over 2400 messages urging Members of Congress to support a 2-year positive payment update. Visit <http://capitol.aafp.org/> to view current AAFP action items.

As of July 20, we have at least one AAFP Key Contact for **402** of the 536 federal legislators. That is, 73 percent of the U.S. Senators and Representatives have a family physician serving as a Key Contact.

House	306/436 (70%)
House Committees & Leadership	136/174 (78%)
Senate	96/100 (96%)
Senate Committees & Leadership	62/66 (93%)

#### 6. THE PAC GOES TO MONTANA

FamMedPAC participated in two fundraising events this week, which coincidentally involved two of Montana's three Congressional legislators.

- *Rep. Denny Rehberg (R-MT)* -- AAFP staff and representatives from the Prostate Cancer Coalition, Children's National Medical Center, the Radiologists, and the College of Surgeons attended a healthcare breakfast with Reps. Denny Rehberg (R-MT) and Ralph Regula (R-OH). Both Representatives serve on the Health Subcommittee of the House Appropriations Committee. Attendees expressed disappointment that the neither the House nor the Senate Appropriations bill increased Primary Care Medicine training under Title VII, and raised the importance of including a fix for the Medicare SGR in the SCHIP bill. Rep. Rehberg spoke about the importance of a medical residency program he helped to develop in Montana and his frustration that we have been unable to enact medical liability reforms.
- *Sen. Max Baucus (D-MT)* – AAFP, along with AHQA, cosponsored a healthcare luncheon event for Sen. Max Baucus (D-MT) Chairman of the Senate Finance Committee. AAFP's president-elect Dr. Jim King was in town and attended the lunch.

Sen. Baucus spoke about funding for the State Children's Health Insurance Program, which his committee passed on Thursday. He stated that SCHIP is a priority and said the Senate intended to increase funding for the program, despite the President's threat to veto the measure. The program, which has been effective for ten years, expires on September 30.

In response to a question from Dr. Jim King, AAFP President-Elect, Sen. Baucus said SGR will get done this fall and that physicians would not take a cut. He made no mention of how it would be paid for or any other specifics.