



# GOVERNMENT AFFAIRS WEEKLY

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### 1. CHILDREN'S HEALTH INSURANCE LEAVES PHYSICIAN PAYMENT BEHIND

House and Senate leadership announced last week that they have reached a final agreement on SCHIP reauthorization legislation, thus setting up votes this week in the House (Tuesday) and Senate (Thursday). The compromise, supported by key Senate Republicans (Grassley, Hatch), would provide \$35 billion over the next five years with the expansion to be paid for by a 61-cent increase in the federal excise tax on cigarettes (to \$1 a pack). The added funding is estimated to increase total enrollment to 10 million children, from 6.6 million. The bill also replaces the new CMS rules restricting states' ability to enroll middle-class children by giving states time and assistance in implementing best practices to address crowd-out and by phasing in a new requirement for coverage of low-income children as a condition of receiving SCHIP funding for coverage of children above 300 percent of the Federal Poverty Level. In a nod to Administration concerns, the bill would prevent new state waivers from enrolling adults except for pregnant women and would require states that already have adults on the rolls to remove them (a block grant transition would allow continued coverage). For states that have received SCHIP waivers to cover childless adults, the agreement terminates the waivers after a one-year period, provides temporary Medicaid funding for already enrolled adults and allows states to apply for a Medicaid waiver for coverage.

Of note, the bill does not contain the Medicare physician fix or Medicare Advantage payment reductions included under the House version (H.R. 3162). Senate Finance Committee leaders have stated that they will take up this and other Medicare provisions in mid-October. In preparation for that legislation, AAFP staff are meeting with the Finance Committee staff to outline requirements for an acceptable physician payment. Senators supporting the physician payment provision will circulate a letter to the Senate leaders and will attempt to secure the signatures of as many of their colleagues as possible.

The President held a news conference to say he would still veto the bill due to its cost and expansion of coverage beyond children in families under 200 percent of the federal poverty level. While the Senate is expected to override the President's veto, it appears that House Minority Leader Rep. John Boehner (R-OH) currently has the votes to prevent an override in that body. If the veto holds, Congress will pass a short term extension of the program until a deal can be reached before Congress adjourns (with leaders now projecting a December session).

## **2. CLINTON CAMPAIGN ISSUES HEALTH CARE PROPOSAL**

On September 17, the Clinton Presidential Campaign released the third part of her health care proposal. The proposal would require large employers to offer health insurance to employees or contribute to a federal fund that would help workers purchase coverage. In addition, the proposal would provide tax subsidies to small businesses to help cover the cost of health insurance for workers. The proposal also would allow employers to select health plans from a network of private plans under the Federal Employees Health Benefits Program or a public plan modeled on Medicare. The Clinton campaign said that the proposal, which would require residents to obtain health insurance, currently does not include punishments for those who do not obtain coverage but added that she might consider such a provision.

## **3. MEDICAL STUDENTS MAY NOT BENEFIT FROM STUDENT LOAN BILL**

Last week, Congress passed, the *College Cost Reduction and Access Act* (H.R. 2669). The intent of the legislation is to make more money available for student aid through loans and grants. However, Sec. 203 sets income-based repayment limitations. This appears to negatively affect medical residents. The President is expected to sign the measure in the next week.

## **4. AAFP MET WITH OMB ON HHS SPENDING**

In a meeting that coincided with the President's press conference to call for less federal spending for State Children's Health Insurance Program, AAFP and select members of the Coalition for Health Funding met on September 20 with Marc Garufi, the Chief of the Public Health Branch for the Office of Management and Budget (OMB), to discuss both FY 2008 and 2009 spending priorities. The White House has reiterated veto threats against both versions of the FY 2008 HHS appropriations bills for exceeding the President's budget request. HHS Secretary Mike Leavitt was one of several cabinet secretaries to write to House Appropriations Committee Chairman David Obey (D-WI) objecting to increased discretionary domestic spending.

The OMB has been in conversations with the Congress FY 2008 spending, but the discussions have been only "polite, professional and pro forma." On the FY 2009 budget, OMB expects to use the President's FY 2008 request as their baseline. Garufi noted that non-defense discretionary spending is not a priority for this administration given the growth of mandatory spending including Medicare coupled with defense and homeland security spending needs and declining tax revenue growth.

## **5. MEMBERS RESPOND TO APPEAL TO CONTACT CONGRESS**

On Monday September 10, the AAFP sent an email from Dr. Kellerman to 56,028 members asking them to take action by contacting their US Senators and urge them to support adding a Medicare physician payment update to current SCHIP legislation. As of September 21, AAFP members had sent 3,289 messages to the Senate. Click [here](#) to join AAFP members in the fight to increase physician payment.

## 6. OF INTEREST TO FAMILY PHYSICIANS...

- **Senate Passes Mental Health Parity Bill**

On September 18, by unanimous consent, the Senate passed the *Mental Health Parity Act* (S. 558) that would require health insurers to provide the same level of coverage for treatment of mental illnesses as they do for physical illnesses. The bill would exempt companies with fewer than 50 employees. In addition, the bill would exempt group health plans and companies in the event that the cost of coverage for treatment of mental illnesses and substance abuse exceeded 2 percent of the total plan cost in the first year or 1 percent in each subsequent year. The legislation would not supersede state mental health parity laws but would supersede state financial requirements and limits for treatment of mental illnesses and substance abuse.

- **House and Senate Pass Major FDA Reform Bill**

On September 19, the House of Representatives passed a compromise FDA reform bill that would expand substantially the agency's authority. The Senate followed suit the next day and the measure will now go to the President for his signature. The primary goal of the legislation is to reauthorize the FDA's drug approval program, which nets approximately \$400 million in user fees to support these efforts. Other major provisions in the bill included safety improvements in the prescription drugs and medical devices market