



GOVERNMENT AFFAIRS WEEKLY

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1. CONGRESS HEARS AAFP PRESIDENT ON HEALTH PLAN CONSOLIDATION

On Thursday, October 25, the House Committee on Small Business held a hearing entitled, *Health Insurer Consolidation-The Impact on Small Business*. The hearing examined the effects of consolidation on the cost of health insurance and the impact on physicians and other health care providers. The Committee heard testimony from representatives of small businesses, physicians and consumers who discussed the impacts of increased consolidation of health insurers on competition in health care.

AAFP President Dr. Jim King joined Dr. William G. Plested III, Immediate Past President of the AMA; Robert Hughes, President of the National Association for the Self-Employed; James R. Office, General Counsel for Victory Wholesale Grocers Springboro, Ohio; and Greg Scandlen, President, Consumers for Health Care Choices in providing testimony and responding to questions.

The hearing highlighted the increasing consolidation in the health insurance industry and the lack of enforcement of antitrust laws by the Federal Trade Commission (FTC) and the Department of Justice (DOJ). In January 2007, the *Wall Street Journal* noted, "the federal government has nearly stepped out of the antitrust enforcement business, leaving companies to mate as they wish."

Dr. King described the problems that family physicians face as they attempt to negotiate with ever larger and more arrogant health plans. He noted that plans have made it clear that they are not willing to negotiate prices and conditions with small and solo practices,

leaving physicians with the terrible decision of either accepting untenable terms or refusing to treat long-term patients.

He also noted that despite the accelerated pace of consolidation, the mergers in the industry have not generated efficiencies that have resulted in cost savings or improved coverage. Indeed, premiums for consumers have continued to increase without a corresponding increase in benefits. Furthermore, as providers face eroded leverage in negotiating with HMOs, they may stop participating in plans or be forced to spend less time with patients, diminishing the quality of care. Individuals and small businesses have fewer choices in shopping for products and are more vulnerable to the exercise of market power. Additionally, rising costs of health coverage leads to greater numbers of uninsured as fewer small businesses and individuals can afford to pay premiums.

Committee Chairwoman, Rep. Nydia Velazquez (D-NY) expressed concern that doctors are being offered “take it or leave it” contracts and that while insurance plan consolidation has increased, competition has decreased and premiums have risen.

Rep. Chabot (R-OH) quoted the U.S. Supreme Court: “Unrestrained interaction of competitive forces yields the best resources...” In his view, antitrust law should foster fair competition but as the number of health plans has decreased, health insurance premiums have risen. However, he pushed for reintroduction of the Association Health Plan legislation passed by the House in the 109th Congress because this consolidation should teach us that “the worst possible thing could be a single payer.”

2. COMMITTEE WILL SOON OFFER MEDICARE BILL WITH PHYSICIAN PAYMENT

While Senate Finance Committee Democrats work on how to write their end-of-the-year Medicare legislation, which will include provisions to prevent the looming 10-percent cut in payments to physicians, the panel’s Republican leader has outlined the GOP’s preferred approach. Sen. Charles Grassley (R-IA) said this week that the committee’s “Republicans have come to the conclusion that we should only have one year” of physician payments and that the cheapest approach would be to freeze next year’s rate at this year’s level.

The staff for the Chairman, Sen. Max Baucus (D-MT), have said that they prefer to do what the House Democratic bill did and provide a modest increase for two years. However, budget rules require that the committee propose how the increase can be paid for, and that is where the issue becomes clouded. Most of the Democratic members agree to use the subsidy to Medicare Advantage plans to pay for the physician payment increase; however, some of the Democrats, like Sen. Wyden (D-OR), would prefer to keep the Medicare Advantage and find budget offsets elsewhere.

The committee intends to introduce its Medicare bill in the next week or so, since the issue must be addressed before the end of the year. AAFP staff are meeting with Congressional staff, both directly and with other physician groups. All of the physician groups are planning a coordinated member call-in campaign in the next few weeks.

3. CHILDREN'S HEALTH INSURANCE BILL PASSES – AGAIN

On Thursday, October 25, the House passed a revised version (HR 3963) of the bill to reauthorize the State Children's Health Insurance Program (SCHIP). President Bush vetoed the earlier version (HR 976). Democratic leadership modified the measure to incorporate changes sought by Republican opponents.

Among the revisions included in the new bill:

- a firm limit to prevent states from expanding eligibility beyond 300 percent of the Federal Poverty Level (about \$62,000 per year for a family of four)
- additional safeguards beyond those prescribed in the Deficit Reduction Act of 2005 against enrollment of undocumented and illegal immigrants, and
- accelerated removal of childless adults added to SCHIP in four states under the Bush Administration's Health Insurance Flexibility and Accountability waiver initiative.

Republicans objected to the speed with which the revised bill was brought to the floor and noted that several of their members were in California surveying fire damages to their districts. The bill passed 25 votes short of a veto-proof majority, 265 – 142.

4. FamMedPAC STEPS UP ITS MEETINGS WITH LEGISLATORS

- *Totals from Assembly and Congress of Delegates*
Some 164 AAFP members donated more than \$38,000 during the 2007 Congress of Delegates and Scientific Assembly. So far, \$328,800 has been contributed to FamMedPAC during 2007.
- *PAC events attended this week:*
Rep. Zack Space (D-OH) -- Rep Space voted in favor of the legislation that included the provisions to prevent the 10 percent cuts in Medicare payments to physicians, and he is now the target of Republican attack ads accusing him of voting to "cut Medicare" for seniors in his district. The FamMedPAC Board recently approved contributions to 19 Democratic legislators who are the targets of similar ads.

National Republican Senatorial Committee -- The NRSC is the political committee that provides support to Republican candidates for the U.S. Senate. By contributing to the NRSC, AAFP will be able to participate in small meetings and roundtable discussions with Republican Senators throughout 2008.

Sen. Harry Reid (D-NV) – As the Senate Majority Leader, Sen. Reid sets the agenda for the chamber. During this meeting with only 18 groups, including AAFP, represented, he described several things that the Senate needs to accomplish, including children's health and a Medicare bill. On appropriations, he believes that after the White House vetoes the Labor/HHS bill, they will engage with the Congress in getting the final bills through.

Rep. Tim Murphy (R-PA) – Rep. Murphy, a psychologist, is from Pittsburgh and serves on the Energy & Commerce Health Subcommittee. This event was attended solely by physician groups. Rep. Murphy's major concern is mental health parity, but he also has introduced a bill to cut down on staph infections in hospitals, which he said kills more people than AIDS each year. He also talked about care coordination and the need to combine medical & psychological care. Regarding the Medicare payment issue, he said that he is incensed about cutting physicians' and hospitals' payments each year.

Bill Kennedy (D-MT) – This event was a "meet and greet" for representatives of the healthcare community. Mr. Kennedy is challenging Rep. Denny Rehberg (R-MT) for the at-large congressional seat in Montana. Kennedy is a two term county commissioner for Yellowstone County, Montana's largest. He has been chairman of the National Association of Counties Health Committee and sits on the Board of the County Public Health operation which is responsible for the only family practice residency in Montana.

Rep. Harry Mitchell (D-AZ) – Rep. Mitchell is a targeted Democrat who supported the House measure to increase Medicare's payments to physicians. It was a very small fundraiser, and the only other healthcare group in attendance was the American Nurses Association. We talked about the SGR problem, and he said he had a "vested interest" in making sure the issue was resolved because he and his wife are Medicare eligible, and he has a large number of Medicare beneficiaries in his district.

Rep. Melissa Bean (D-IL) – She is another targeted Democrats who voted for the House Medicare physician payment bill. AAFP was the only healthcare group represented at the event. She serves on the House Small Business Committee, where Dr. Jim King testified later in the day on consolidation of the health insurance industry. Rep Bean is supportive of both the SCHIP bill and the physician payment provisions contained in the original House bill. We also spoke about healthcare coverage expansion and our medical home model of care as a way to improve quality and reduce costs. Her Chief of Staff would like to work with us to help her get family physicians in her district to be part of her healthcare advisory group.

Sen. Michael Enzi (R-WY) -- Sen. Enzi is the senior Republican member of the Health Education, Labor, and Pensions (HELP) Committee. AAFP was the only healthcare group in attendance. Sen. Enzi spent about 90 percent of the time talking about health care and said that a Medicare payment fix would happen before the end of the year. He also referenced his small business insurance bill; the need for patients to have and use their own medical records and his health courts legislation. The senator said that he and Sen. Kennedy, the Chair of the HELP Committee, have an informal agreement to work on the 80 percent of the issues they agree with so that something comes out of the committee.

5. OF INTEREST TO FAMILY PHYSICIANS...

- *HIT Bill passes House Science and Technology Committee*
On Wednesday, October 24, the House Science and Technology passed HR 2406, a bill introduced by Rep. Bart Gordon (D-TN), which would require the National Institute of Standards and Technology to develop or adopt health IT standards for the federal government. The NIST is the entity currently charged with development and promotion of measurement, standards, and innovative technology. In a statement to the record to the committee, the AAFP said it does not believe that NIST should take on a new role in the selection or development of standards and that its real value in the promotion of a national health information infrastructure requires NIST to test and validate the utility and affordability of these many standards.

- *Maryland Governor Calls Special "Health Care" Session*
Gov. Martin O'Malley (D) and Democratic legislative leaders proposed providing health insurance to 100,000 poor uninsured adults in Maryland and subsidizing small businesses that offer coverage to their employees. The General Assembly will consider the plan during a special legislative session that starts Monday. Under the proposal, Medicaid would expand over four years, first covering parents with incomes of less than \$20,000 for a family of three -- about 30,000 people. Then adults without children would be covered.

The state also would give insurance subsidies to employees earning less than \$50,000 at firms with up to nine workers, about 5,500 companies that don't offer benefits. Another 4,000 small businesses that provide coverage also would get help from the state to prevent them from dropping it. To encourage workers with chronic illnesses to participate in wellness programs to lower the cost of their care, the state would offer discounts on their deductibles. The governor's office also plans to allocate \$10 million to improve the quality and efficiency of care through a statewide electronic record-keeping system, which has been slow to come to Maryland.