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IN STRATEGY CHANGE, MEDICARE PAYMENT FIX MOMENTUM SHIFTS TO HOUSE

In back-to-back meetings late Friday, Senate and House staff told advocacy groups that a bill similar to S 3101, the Medicare package authored by Senate Finance Committee Chair Max Baucus (D-MT), would be dropped on Tuesday, June 24 with the goal of passing it under suspension and sending it back to the Senate. The new legislation, which includes a Medicare payment freeze for 2008 and a 1.1 percent increase in 2009 would be essentially the same but drop the physician scarcity bonus for primary care and add "beneficiary investments," defined as increased asset levels to help more beneficiaries qualify for assistance, Medicare mental health parity and increased coverage for preventive services.

The change in strategy comes on the heels of a contentious week that saw Sen. Baucus and Sen. Grassley (R-IA) unable to come to an agreement on offsets and the introduction of a bare-bones Republican bill funded by decreasing bonus payments to Medicare Advantage in areas with teaching hospitals and shuffling dollars among other accounts. Meanwhile, rumors began floating that Congress would pass a 30-day extension while continuing to work out the details of a more comprehensive bill. The move came as Democrats lost the cloture vote last week, refused to accept the Republican bill and realized an opportunity to force Republicans into a corner in a closely-watched election year.

America's Health Insurance Plans (AHIP) also got into the mix and released a survey showing that neither Medicare beneficiaries in the traditional program nor Medicare Advantage (MA) participants wanted MA cut to fund a physician payment fix.

HOUSE APPROPRIATIONS SUBCOMMITTEE LIKELY TO RESTORE FAMILY MEDICINE FUNDING TO FY 05 LEVELS; LAME DUCK POSSIBLE POST ELECTION

On Thursday, the House Appropriations Subcommittee on Labor, HHS and Education passed its spending bill and sent it onto the full committee for action. The \$626 billion bill is \$7.8 billion more than the President's request and \$8 billion more than FY 2008. While specific numbers are not available, the subcommittee likely will restore family medicine funding to FY 05 levels. For the first time, there are rumblings about a lame duck session after the election. Rumors indicate that it would be brief if Sen. John McCain were to be elected President and much longer if Sen. Barack Obama were to win the contest. The goal of the session would be to bundle the majority of spending bills into a continuing resolution ending at a date certain.

DEA TO RELEASE PROPOSED RULE ALLOWING E-RX FOR CONTROLLED SUBSTANCES

The Drug Enforcement Agency is slated soon to release a proposed rule allowing the use of e-prescribing of controlled substances for the first time. The AAFP supports this policy. While details are unknown, initial concern is that the rule may include a specific key and password to enter the prescription, which seems unnecessarily burdensome for physician practices.

BAUCUS DEBATES HEALTH BOARD TO CURTAIL LOBBYISTS' INFLUENCE

In a hearing Tuesday on rising health costs, members of the Senate Finance Committee, including its chair, Sen. Baucus, showed considerable interest in creating a federal health policy board to make decisions on controversial issues with "less interference from lobbyists." Congressional Budget Office (CBO) Director Peter Orszag told Baucus that it may be time for the CBO and Governmental Accountability Office to examine creating this type of entity. Potentially modeled after the Federal Reserve Board, the goal would be to insulate members and allow them to make tough public policy decisions on cost and quality rather than recommendations by groups such as MedPac, which frequently are ignored. Orszag also suggested that physicians who do not adopt HIT be excluded from the Medicare program.

EXPERTS CONCLUDE HEALTH CARE "COMPLEX" AND "PARTISAN"

In a conclusion that drew a unanimous reaction of "*you think?*" from long-time Congressional observers, experts at a Monday conference on entitlement costs observed that health care is "complex" and "partisan," preventing progress on addressing the issue. Center for Studying Health System Change President Paul Ginsburg pointed to costly medical technology, aging Americans and low productivity in health care service delivery as specific barriers. Ginsburg suggested fixing the physician payment system to encourage differing rates for varying patients; clinical effectiveness research; and changing personal health habits as means to improve the system. In a sly swipe at the Presidential candidates, Ginsburg stated that "this is a conversation for adults, not for campaigns."

FAMMEDPAC CONTINUES TO PULL IN SUPPORTERS

Support for the PAC continues to grow. Since January 2007, FamMedPAC has collected \$619,478 in donations from 2,088 AAFP members. In the first 6 months of 2008, donations to the PAC have totaled \$280,534 and for the election cycle, the average donation has been \$297.

The direct marketing program for FamMedPAC has maintained a brisk pace. Over 13,000 members have been contacted, with more than 1,800 AAFP members making a pledge. The average pledge is \$170, with just over \$300,000 promised to the PAC since the program began in January, 2008. The initiative will meet both the revenue and costs estimates made when the program began.

FamMedPAC contributions to candidates total currently \$559,500 in the 2007-2008 election cycle. The PAC has given \$343,500 to Democratic candidates and committees, and \$216,000 to Republican candidates and committees.

June 30 marks the end of the FEC reporting period for Congressional candidates. With this deadline looming, candidates are holding more events before that date to build up campaign cash for the report. AAFP Government Relations staff participated in a number of events this week, and several more are scheduled for next week.

Staff attended a healthcare event for **Sen. Patty Murray (D-WA)**, who is Secretary of the Senate Democratic Caucus and a member of the Senate leadership, as well as a member of the Appropriations and HELP Committees. Sen. Murray said that the Senate leadership meets daily and the physician payment issue is a matter of concern each time. She had no

suggestions for how the issue will be resolved other than it was clear that the resolution will require Senate Majority Leader Harry Reid (D-NV) and Senate Minority Leader Mitch McConnell (R-KY) to come to some agreement. She promised to ask Sen. Reid to get that done as soon as possible.

Staff attended a medical specialty PAC breakfast for **Senator Ken Salazar (D-CO)**, who serves on the health subcommittee of the Senate Finance Committee. The Senator said he understands how important the SGR issue is and that “we will get it done by June 30.” Several other issues were discussed, including primary care enhancement, the patient-centered medical home, reimbursement in general and workforce. Senator Salazar is very interested in broader health care reform and expects this to be a major issue in the 111th Congress.

Staff attended a healthcare event for **Sen. Dick Durbin (D-IL)**, the Majority Whip of the Senate, the number two position in the Senate leadership. Sen. Durbin insisted an SGR fix would pass this year. He advised every organization to make sure its members in the states with a Republican Senator call or meet with (not just e-mail) every Senator and demand to know when the bill will pass. Durbin also recommended contacting those senators who voted against cloture asking to know why, and a concerted effort to make sure that the Senators who voted for cloture hear positive reinforcement from their physician constituents. Sen. Durbin also talked about his small business health insurance bill and recommended the insurance companies provide physicians with incentives to adopt an electronic health record system. He said that Medicare should offer similar incentives.

Staff attended a healthcare event for **Sen. Charles Grassley (R-IA)**, ranking member of the Senate Finance Committee early in the week. At that time, the Senator indicated he and his staff had had no discussions with Finance Committee Chair Sen. Max Baucus (D-MT) or his staff since the failed cloture vote last week. Grassley said he hopes Baucus will indicate a willingness to talk and begin to negotiate a bipartisan compromise bill. He believes the compromise would have to be somewhat (although not a lot) different from S. 3118, which he introduced. Despite his wish that they get a bill to the floor, Grassley fears that we are beyond the point of avoiding payment cuts in early July.

Staff attended a healthcare event for **Rep. Allen Boyd (D-FL)**, who serves on the House Appropriations Committee and is a leader of the influential Blue Dog Democrats. Rep. Boyd is a strong supporter of medical liability reform and is interested in reaching across the aisle to work on health care entitlement reform. He stated that we must move to electronic medical records and e-prescribing. When attendees raised concerns about imposing penalties on physicians who are unable to e-prescribe and not holding pharmacies accountable, Rep. Boyd said he understood that broadband access was not widely available, because he cannot get it at his home in Florida.

STATES ADDRESS MEDICAL HOME; ADJOURN; AND CAMPAIGN

State Medical Home Legislation

The patient-centered medical home concept continues to intrigue state legislators, with 108 bills introduced in 26 states and the District of Columbia in the 2008 state legislative sessions. These bills run the gamut from a passing use of the term “medical home” to bills creating medical home demonstration projects or systems of care. AAFP staff continues to work with chapters to identify new bills as they are filed and to incorporate the *Joint Principles of the Patient-Centered Medical Home* into the legislation. To date, staff has identified 30 bills in 16 states that aim to define the medical home, implement a demonstration/pilot program, or establish a task force/study commission. Fifteen of these bills (**CA, CO, ID, IA, KS, LA, MN** [2], **NY, OK** [3], **VT, WA** [2]) became law.

State Legislatures Adjourn, State Campaigns Begin

Forty-four state legislatures convened this year for regular sessions. By the Fourth of July holiday weekend, only nine will remain in session, almost all of which are the full- or near full-time legislatures. As the state policymaking season ends, the state political season begins in earnest. Just like their federal counterparts, state elected officials are hitting the campaign trail. This political season, as with any year ending in the number “8,” marks the beginning of the decennial redistricting fight; 642 state senators up for election this year will be in office to redraw congressional districts and nearly 80 percent of all state seats will be on the ballot. Democrats hold the advantage in state legislatures, controlling both chambers in 24 states, with Republicans heading both chambers in 15. In the remaining 10 states—Nebraska’s unicameral legislature is officially nonpartisan—each party controls a single chamber. Four states (**LA, MS, NJ, VA**) held state legislative elections in 2007, while two states (**AL, MD**) will not hold elections for the legislature until 2010. Two more (**MI, MN**) are not holding elections for Senate until the same year.

Nationwide, Democrats hold about 52 percent of all state senate seats, while holding a wider 55 percent advantage among total state house seats. 5823 seats (1113 state senate, 4710 state house) are projected to stand for election in the 2008 elections—barring special elections to fill mid-cycle vacancies in other states.