

Bush Budget Would Chisel Medicare, Medicaid

BY MARY ELLEN SCHNEIDER
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The Bush administration's budget proposal for fiscal 2008 could be bad news for physicians and hospitals.

The proposal, sent to Congress on Feb. 5, seeks about \$600 billion in net outlays to finance the Centers for Medicare and Medicaid Services including Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP), a \$29.2 billion increase over projected 2007 levels. However, the budget also includes legislative proposals that would trim about \$4.3 billion from the Medicare program for the fiscal year and \$252 billion over 10 years.

In addition, it also calls for Medicaid reforms that would result in about \$28 billion in savings in that program over 10 years.

The president's plan outlines a number of provider payment changes, including reducing the update factor for inpatient hospitals, outpatient hospitals, hospices, and ambulance services 0.65% each year starting in fiscal year 2008; freezing the update for skilled nursing facilities and inpatient rehabilitation facilities in 2008; freezing updates for home health agencies in 2008; and reducing the update for ambulatory surgical centers for 0.65% starting in 2010.

The proposed budget does not address payments to physicians under Medicare, calling into question whether physicians will get relief from a projected 5%-10% cut in Medicare reimbursement slated for January 2008. However, Leslie Norwalk, acting administrator for CMS, said she has "no doubt" that proposals to address the sustainable growth rate formula—which is used to determine physician payments under Medicare—will be on the table for discussion with Congress.

The reductions in entitlement programs such as Medicare, Medicaid, and Social Security are necessary to avoid tax increases, deficits, or cuts in benefits, President Bush wrote in an accompanying statement to Congress.

But the fate of the Bush proposal already is in doubt in the Democrat-controlled Congress.

"I doubt that Democrats will support this budget, and frankly, I will be surprised if Republicans rally around it either," Rep. John Spratt (D-S.C.), chairman of the House Budget Committee, said in a statement.

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Physicians' groups also took aim at the proposed budget. Dr. James T. Dove, president-elect of the American College of Cardiology, said the budget fell short in several areas, particularly in the lack of proposals to fix the physician payment formula. "Unless we can work together to put in place a more sustainable payment system for physicians, patients will suffer," Dr. Dove said in a statement.

Officials at the American Medical Association echoed those comments in their reaction to the president's budget request. "Over the next 8 years, Medicare payments to physicians will be slashed by nearly 40%, while practice costs increase about 20%. Without adequate funding, physicians cannot make needed investments in health information technology and quality improvement, and seniors' access to health care is placed at risk," Dr. Cecil B. Wilson, AMA board chair, said in a statement.

The proposed budget also includes a small increase for the National Institutes of Health. The fiscal year 2008 request seeks \$28.9 billion, a net increase of \$232

million over projected fiscal year 2007 spending. It also includes a \$7 million increase for the National Heart, Lung, and Blood Institute, taking the institute's budget to \$2.925 billion.

The President's budget request highlights increases in the trans-NIH road map activities, which target gaps in biomedical research that need to be addressed by multiple NIH institutes. The budget proposal also nearly doubles funding to \$31 million for a program for new research investigators. NIH officials estimate they will make 175 awards as part of this program in fiscal year 2008.

However, the ACC and the American Heart Association said the request was inadequate to fund priorities at NIH. The increase falls short of inflation and will hurt research efforts as young investigators choose more profitable careers in the private sector, according to the American Heart Association.

Officials at ACC said the lack of funding at NIH will hurt basic, clinical, and translational research and even make it harder for the cardiovascular community to put together sound clinical guidelines. "As Medicare attempts to move toward a system that rewards physicians based on quality and efficiency, this investment in medical research will be critical," Dr. Dove said in a statement. ■

State Legislatures Pursue Insurance Mandates, Transparency

BY GLENDA FAUNTLEROY
Contributing Writer

WASHINGTON — State legislation mandating health insurance will continue, with "at least 12 more states going to debate bills to expand employer participation coverage" in 2007, according to Susan Laudicina, director of state services research for the Blue Cross and Blue Shield Association.

The health care transparency debate also is heating up with a few states, such as Colorado and Ohio, passing laws requiring provider-specific data on quality and requiring that costs be made available publicly. At least 10 or more states will debate similar bills to promote transparency in 2007, she said.

Ms. Laudicina made her predictions when the Blue Cross and Blue Shield Association's annual "State Legislative Health Care and Insurance Issues" report was unveiled at a briefing sponsored by the association.

The report updates the top health care and insurance issues from state legislatures around the country and the overview given by Ms. Laudicina detailed how, despite healthy revenue growth in 2006, state governments are grappling to stem rising health care expenses. "Health care expenditures now account for about one-third of all state budgets, and states are in desperate need of solutions."

The report found that in 2006 states began implementing a range of initiatives including employer and individual mandates to cover the uninsured, public-private insurance partnerships to promote coverage and contain costs, and initiatives to improve quality care.

The Blue Cross and Blue Shield Association (BCBSA) reported that there was a flurry of new laws introduced around the country last year and the beginning of 2007—all aimed at providing affordable, quality coverage.

"I read about 200 new legislations per week," said Ms. Laudicina. "That's how fast new legislation is coming in."

According to the report, employer and individual mandate legislations were pursued by three states in 2006:

Massachusetts, Vermont, and Maryland. Twenty-five other states followed with introductions of similar bills last year, but none of those were enacted.

During 2006, 11 states—including Kentucky, Utah, Oklahoma, and Washington—also worked to create or expand programs to make private insurance coverage affordable for low-income workers. Seven of these states decided to use public funds to build subsidies to offset the premium costs of private employer-sponsored health plans for those eligible for Medicaid as well as for other low-income residents.

The BCBSA "State Legislative Health Care and Insurance Issues" report is compiled from a survey of each of the 39 independent Blue Cross and Blue Shield companies across the country that together provide health coverage for almost 98 million Americans. BCBSA officials were also on hand to provide an overview of the association's top health care issues facing the 110th Congress.

"We have three priorities and the top of the list is addressing the uninsured," said Alissa Fox, the BCBSA's vice president of legislative and regulatory policy.

Ms. Fox reported that the association is urging Congress to fully support the State Children's Health Insurance Program (SCHIP) to lower the number of uninsured children, adding that Congress' "priority has to be to enroll these children."

According to the BCBSA, a surprising 74% of children without health coverage are eligible under public programs, but are not presently enrolled. Adequate funding is necessary to streamline enrollment procedures and ensure that these children get health care. In his budget submitted to Congress on Feb. 5, President Bush called for an increase in SCHIP funding of \$5 billion over the next 5 years—short of the \$12 billion experts say is needed to fund the program.

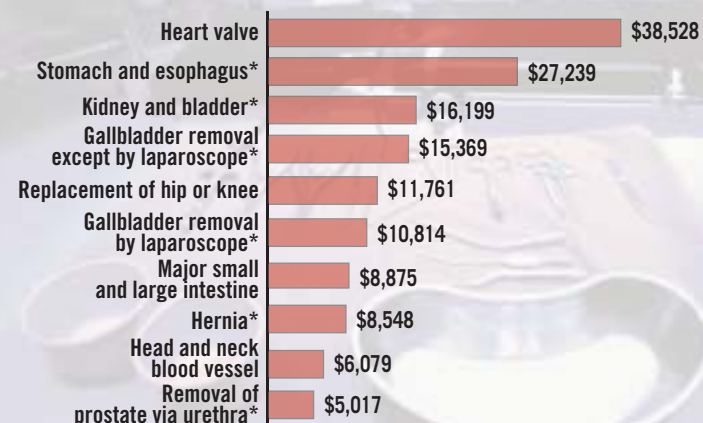
Another priority for the BCBSA is maintaining funding for the Medicare Advantage (MA) program that provides coverage to more than 8.3 million people. Ms. Fox explained how further budget cuts will disproportionately hurt low-income and minority Americans who rely on the program for health care.

"There's some talk in Congress about eliminating MA, and we are very concerned," Ms. Fox said. "The MA program has suffered from \$13 billion in funding cuts in the past 2 years, and further cuts would put access to affordable, comprehensive coverage in jeopardy."

The BCBSA's third priority is the vision of the Bush Administration and Congress to create a nationwide health information network that will allow for the use of electronic health records in every hospital and doctor's office. Ms. Fox said the association is "very supportive of the bipartisan mission." ■

DATA WATCH

Average Medicare Payments for Elective Inpatient Procedures



*In adults with complications or preexisting conditions.
Source: 2005 data, Department of Health and Human Services