

# Bush Proposes Medicare, Medicaid Cuts for 2009

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In the final budget proposal of his presidency, President Bush is proposing substantial cuts to hospitals, skilled nursing facilities, and graduate medical education.

Leaders in the Democratic-controlled Congress instantly declared the proposal dead on arrival.

Under the plan, the Bush administration has put forth legislative and administrative proposals that would cut \$12.8 billion from the Medicare program in fiscal year 2009 and about \$183 billion over the next 5 years, largely from hospital and other provider payments. The idea is to slow down the growth rate of the program from 7.2% to 5% over 5 years. But critics say the cuts would harm hospitals that care for low-income patients and train physicians.

The FY 2009 budget proposal calls for freezing payments to inpatient hospitals, long-term care hospitals, skilled nursing facilities, hospices, outpatient hospitals, and ambulance services from 2009 through 2011. Payments would then drop 0.65% annually under the proposal.

The proposal also outlines a payment freeze for inpatient rehabilitation facilities and ambulatory surgical centers in 2010 and 2011, followed by annual cuts. And home health agencies would also see a 0% update from 2009 through 2013 followed by annual payment cuts.

The proposal would reduce indirect medical education add-on payments from 5.5% to 2.2% over the next 3 years, and would eliminate the duplicate hospital indirect medical education payment for Medicare Advantage beneficiaries.

Hospitals would also face additional cuts under the plan. For example, the proposed budget would reduce hospital capital payments by 5% in 2009, and hospital disproportionate share payments would drop 30% over the next 2 years.

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The administration's budget would reauthorize the State Children's Health Insurance Program (SCHIP) through 2013. The plan calls for a \$19.7 billion increase to the program over 5 years, including \$450 million in outreach grants to states and other organizations to help enroll uninsured children in the program.

One area that the administration's budget proposal does not address is the 10.6% physician pay cut scheduled to take place this July. The administration's budget "falls short" by not including a proposal to fix the Medicare physician payment formula, the American College of Cardiology said in a statement.

"Physicians are willing to do their part,

but quality cannot be achieved under a zero-sum scenario," according to the statement. "Continued deep payment cuts make it impossible for physicians to continue to invest in a health care infrastructure that facilitates data collection and quality improvement while ensuring that patients have access to high quality care."

In total, the administration is requesting \$711.2 billion for the Centers for Medicare and Medicaid Services to cover mandatory and discretionary outlays for the Medicare, Medicaid, and SCHIP programs. The request is a \$32.7 billion increase over the FY 2008 funding level.

Federal research agencies are also facing funding cuts or freezes under the FY 2009 budget proposal.

The administration is proposing no increase for the National Institutes of Health, keeping the agency's budget at approximately \$29.5 billion. Health advocates say the failure to expand NIH funding will hurt research efforts in several critical areas.

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For example, the National Institute of Diabetes and Digestive and Kidney Diseases would receive an increase under the administration's proposal, but the \$2.6 million bump amounts to a 0.15% increase over FY

2008. The American Diabetes Association is urging Congress to disregard the president's proposal and provide \$112.5 million in additional funding, a 6.6% increase.

The administration's budget proposal also calls for \$8.8 billion in funding for the Centers for Disease Control and Prevention, a \$412 million drop from FY 2008. The Agency for Healthcare Research and Quality would also face a cut under the proposal. The president is calling for \$326 million in funding for the agency, a \$9 million decrease from FY 2008.

The Food and Drug Administration would receive a \$130 million increase over FY 2008, bringing the total funding to 2.4 billion in FY 2009. The FDA budget proposal includes increases in the human drugs and devices programs at FDA.

Under the plan, the human drugs program would receive \$984 million in FY 2009, an increase of \$68 million. The increase includes estimated user fees coming into the agency. The increases are slated to fund improvements in drug safety and regulation of biologic therapies. The budget includes a funding commitment of \$389.5 million for drug safety, an increase of \$36 million in FY 2008. In addition, the budget includes a proposal to grant the FDA new authority to approve follow-on biologic proteins through a new regulatory pathway, and one seeking user fees to cover the costs of the new activity.

Under the administration's budget request, the medical devices program at FDA would receive \$291 million, an increase of \$7 million. ■

## POLICY & PRACTICE

### CMS Mulls Carotid Stent Change

The Centers for Medicare and Medicaid Services is considering a request from the American College of Cardiology, the Society for Cardiovascular Angiography and Interventions, the Society of Vascular and Interventional Neurology, and the Society for Vascular Medicine to change its current coverage policy for carotid artery stenting. The groups have requested coverage for patients who are at high risk for carotid endarterectomy because of defined anatomic factors, and who have symptomatic carotid artery stenosis of 50%-90% or greater or asymptomatic carotid artery stenosis of greater than or equal to 80%, according to CMS. The requesting organizations said there is a compelling clinical rationale to stent these patients, whose number they estimate to account for 30% of the overall high surgical risk population. The comment period closed March 2; a final decision is expected in August.

### Artificial Heart Coverage Proposed

CMS is also proposing to cover artificial hearts implanted as part of clinical studies that meet CMS and Food and Drug Administration standards. The only such device, the AbioCor, made by Abiomed of Danvers, Mass., is being implanted under the FDA's humanitarian device exemption. AbioCor is covered by three insurers, but Medicare payment has been elusive, according to the company. "Our proposal relaxes a long-standing noncoverage policy, gives access to our beneficiaries, and promotes evidence development through FDA-approved studies of this advanced technology," said CMS Acting Administrator Kerry Weems in a statement. CMS is expected to make a final coverage announcement by May 1.

### Jarvik Lipitor Ad Pulled

Pfizer Inc. says that it is withdrawing all Lipitor (atorvastatin) ads that feature Dr. Robert Jarvik as a spokesman. The company defended its use of Dr. Jarvik, calling him a "well-respected heart expert" in a statement. But Pfizer President of Worldwide Pharmaceutical Operations Ian Read also acknowledged that "the way in which we presented Dr. Jarvik in these ads has, unfortunately, led to misimpressions and distractions from our primary goal of encouraging patient and physician dialogue...." The Jarvik ad campaign has been under scrutiny by the House Energy and Commerce Committee. In February that panel released the contract between the physician and Pfizer. According to the terms of the contract, dated April 13, 2006, Dr. Jarvik was due to receive \$1.35 million. His work was to include up to 9 12-hour days of work on television, radio, and print ads, plus additional voice over work and 3 days of personal appearances. The committee wants to know whether stunt doubles were employed during the TV ads, which include scenes of Dr. Jarvik rowing. Letters were sent to nine advertising compa-

nies that sought records on payments to such alleged doubles, and all records associated with the campaign.

### ACC on Vytorin Queries

The American College of Cardiology said it is cooperating with the same House committee mentioned above on its requests to furnish information on funds the college has received from Merck & Co./Schering-Plough Corp., the joint venture that makes and sells Vytorin (ezetimibe/simvastatin). The drug combination has been the subject of intense scrutiny by the committee, largely because of delays in releasing data from the ENHANCE study. The committee said it wanted to know the nature of financial contributions made by the drug companies because the ACC and the American Heart Association had issued statements urging patients not to stop taking Vytorin without talking to their physician first. The committee also requested data from the American Heart Association. Rep. Bart Stupak (D-Mich.), chairman of the oversight and investigations subcommittee, said his panel would look at "how they use this funding and any potential conflicts of interest." An ACC spokesperson said the organization had delivered boxes of material to the committee, adding that, "industry support in no way affects our policies."

### Don't Blame Technology for Costs

Medical devices and in vitro diagnostics account for a relatively small 6% (\$112 billion) of the nation's overall health expenditures and should not be blamed for rising health costs, said officials from the device industry's lobby, AdvaMed, at a briefing in February. The group released what it called one of the first-ever studies to examine device cost trends. The study—paid for by AdvaMed—was conducted by Roland Guy King, a former chief actuary for the Medicare and Medicaid programs. Devices and diagnostics accounted for a steady 6% of expenses from 1989 to 2004. Prices grew more slowly—1.2% annually—than the medical consumer price index, or the consumer price index, according to the study. "The highly competitive medical device marketplace is working and delivering tremendous value both in patient care and in economic terms," said Stephen J. Ubl, AdvaMed president and CEO.

### Pay for Remote Monitoring

At the briefing, AdvaMed officials also said they believe reimbursement for remote monitoring may be added to a Medicare physician fee fix bill when it is taken up later this year. AdvaMed has met with CMS staff to discuss coding for remote management of conditions such as congestive heart failure, cardiac arrhythmia, diabetes, sleep apnea, and epilepsy. The coding discussions may provide the necessary momentum, said Mr. Ubl. The device lobby estimates that remote monitoring would cost \$100 million or less over a 5-year period.

—Alicia Ault