

Bush Budget Targets Medicare, Medicaid for Cuts

The plan would cut \$4.3 billion from Medicare in fiscal 2008 and \$252 billion over the next 10 years.

BY MARY ELLEN SCHNEIDER
New York Bureau

The Bush administration's budget proposal for fiscal 2008 could mean bad news for both physicians and hospitals.

The proposal, which was 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 the next 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 the Centers for Medicare and Medicaid Services, 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 traditional 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.

Physicians organizations 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 president's budget proposal also came under fire from the American Hospital Association, which called it "devastating news" for children, seniors, and the disabled.

The president's plan would reauthorize SCHIP for 5 years and spend nearly \$5 billion on the program over that period. However, it would refocus the program to children at or below 200% of

poverty, a smaller group than many states currently target with their programs. But that level of funding would actually reduce SCHIP spending in fiscal year 2008, according to the American College of Physicians. Officials at the ACP called on Congress to provide additional funds to SCHIP so that it could be expanded to reach more low-income children and their parents.

President Bush also seeks the standard deduction for health insurance that he outlined in his State of the Union address in January. His proposal aims to make it more affordable for workers who do not get health care coverage through their employers to obtain insurance. It includes a \$15,000 standard deduction for health insurance for any family covered by at least a catastrophic health insurance policy, regardless of whether it was purchased individually or by an employer.

The president proposed that the Health and Human Services secretary will work with Congress to redirect a portion of institutional payments so that states can help low-income residents purchase health insurance.

Under the plan, association health plans would be established so that small employers and other organizations can negotiate for lower insurance costs. ■

The budget calls into question whether physicians will get relief from a projected 5%-10% cut in Medicare reimbursement in January 2008.

State Legislatures Seek 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 are set to 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.

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," she said.

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.

Blue Cross and Blue Shield Association officials were also on hand to provide an overview of what the association considers to be the top health care issues facing the 110th Congress.

"We have three priorities and [at] 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," she added.

The Blue Cross and Blue Shield Association'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." ■

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