Bush Proposes Medicare, Medicaid Cuts for 2009

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

Leaders in the Democrat-controlled Congress immediately 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.

The FY 2009 budget plan also includes proposed legislative and administrative changes aimed at cutting nearly $18 billion from Medicaid over the next 5 years.

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.

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.

"We cannot afford not to invest in diabetes research, treatment, and prevention—the consequences for our health care system and our society will be too severe," Dr. John B. Buse, president of medicine and science for the American Diabetes Association, said in a statement. "The American Diabetes Association calls on Congress to align their priorities and provide funds to remedy this growing health crisis."

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.

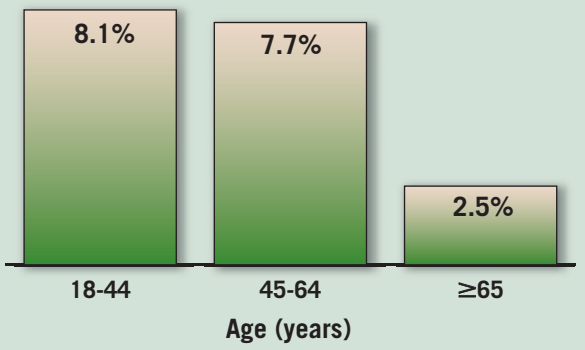
The Food and Drug Administration would receive a $130 million increase over FY 2008, bringing the total funding to 2.4 billion in FY 2009. The FDA budget proposal includes increases in the human drugs and devices programs at FDA.

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. The administration also is 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. ■

DATA WATCH

Adults Who Did Not Receive Needed Health Care Because They Could Not Afford It



Note: Based on 2005 data from the previous 12 months.
Source: Centers for Disease Control and Prevention

Elsevier Global Medical News

NQF Failed to Endorse Measures

P4P *from page 1*

ing, he said, "It appears the government believes that they will save a lot more money having [physicians] use EMR systems than saving melanoma patients' lives."

Dr. Kaufmann of Mount Sinai Medical Center, New York, has a special expertise in EMRs. He serves as a juror for the Certification Commission for Healthcare Information Technology (CCHIT), the nonprofit organization formed to develop standards on the functionality and interoperability of EMR systems.

According to the 2008 list of eligible measures from the Physician Quality Reporting Initiative (PQRI), qualifying EMR systems must either be CCHIT certified or capable of producing a medication list, generating a problem list, and entering laboratory tests as discrete searchable data elements.

During the last half of 2007, the PQRI list of eligible measures included three related to melanoma. Dermatologists would be eligible for bonus payments from CMS if they could demonstrate that they asked about new or changing moles, performed a complete skin exam, and counseled the patient to perform self-examination for new or changing moles.

The melanoma measures were added after being endorsed by the AQA Alliance (formerly the Ambulatory Care Quality Alliance), but they were later removed because they failed to be endorsed by the National Quality Forum (NQF).

"If it's an AQA-endorsed measure, the federal government may recognize it," said Dr. Dirk Elston, director of the department of dermatology at the Geisinger Medical Center, Danville, Pa. "If it's an NQF-endorsed measure, the federal government must recognize it as a national standard other than by act of Congress."

There were several reasons for the NQF's failure to endorse the melanoma items, Dr. Elston said. First, "they were specific to dermatology and would be difficult to report for any other type of physician who was seeing patients with skin disease. And second, both AQA and NQF considered them low-bar measures."

But other items in the 134-item list for 2008 appear to be specific to certain specialties. For example, item 14 calls for patients with age-related macular degeneration to receive a dilated macular examination, item 43 calls for surgeons to use the internal mammary artery during coronary artery bypass grafting, and item 100 calls for colorectal cancer patients to receive a certain type of histologic staging. The full list of reported measures is available through the PQRI Web site at www.cms.hhs.gov/PQRI.

Dr. Elston emphasized that complying with PQRI measures is voluntary, with the payments reaching at most 1.5% of the Medicare Physician Fee Schedule allowed charges for covered services. To receive payments, physicians must report measures for at least 80% of eligible patients.

While the benefits of participating in the PQRI program are modest and there are no penalties for noncompliance, Dr. Elston noted that private payers are likely to adopt similar quality measures, and their quality platforms are likely to include both bigger carrots and bigger sticks.

"Not participating in private-payer programs carries the risk of having a lower quality rating on the Web site where the carrier lists their participating physicians," Dr. Elston said. "It also carries the risk of higher patient copays when they come to visit you." Some states are even discussing the possibility of making physician relicensure dependent on participation in a performance improvement plan, he said.

In late 2007, the White House proposed that physicians who meet quality benchmarks would have their Medicare reimbursements frozen at current levels, while those who did not would be subject to a 10% cut in payments.

Meanwhile, the PQRI, the AQA alliance, and the NQF are working on new lists of quality measures, from which Dr. Elston hopes that dermatologists will have a menu of items from which they can choose relevant quality reporting measures. Among them may be measures related to glucocorticoid-induced osteoporosis, proper antibiotic use, and other areas of patient safety. ■