

Bush Budget Would Whittle Medicare, Medicaid

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The Bush administration's budget proposal for fiscal 2008 could be bad news for 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 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 bil-

lion 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. ■

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