Bush Proposes 2009 Cuts To Medicare, Medicaid

BY MARY ELLEN SCHNEIDER
New York Bureau

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 Democrat-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 that 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.

Federal research agencies are facing cuts or freezes under the budget plan, with no increase in funding proposed for the National Institutes of Health.

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 budget proposal also 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 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 that are designed to cut 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 support enrollment of uninsured children in the program.

One area that the administration's budget proposal does not address is the 10.6% physician pay cut that is 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 ACP 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 also are facing funding cuts or freezes under the FY 2009 budget proposal. The administration is proposing no funding increase for the National Institutes of Health, keeping the agency's budget at approximately $29.5 billion. Health advocates contend that 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 its total funding to $2.4 billion in FY 2009. The FDA budget proposal includes $389.5 million for drug safety activities at the agency, an increase of about $36 million. ■

POLICY & PRACTICE

CVS Clinics to Open in Mass.

Immediately after Massachusetts regulators approved store-based medical clinics last month, CVS Corp. said it would open as many as 30 in-store MinuteClinics in the state over the next year. CVS said that it plans to have 100-120 clinics in stores across the state in 3-5 years. The nurse practitioners staffing the clinics will treat minor problems such as sore throats and ear infections, but will refer patients with more serious conditions to a physician or an emergency department. The Massachusetts Medical Society, along with organizations representing family physicians, pediatricians, hospitals, and community health centers, raised concerns about retail medical clinics as the state's Department of Public Health considered whether to allow them, according to the medical society. Dr. Bruce Auerbach, MMS president, said in a statement that the department's final regulations seemed to address many of the medical community's biggest concerns about the clinics, including sanitation and infection control, fragmentation of care, and physician oversight.

ED Waits Increase

Waits for emergency care are getting longer each year, with waits for patients who have acute myocardial infarction rising by 150%, according to a study by the Cambridge Health Alliance and Harvard Medical School. The study, which analyzed the time between a patient's arrival in the emergency department and when that patient was first seen by a physician, found that the increasing delays affected patients from all racial and ethnic groups, regardless of health insurance status. Between 1997 and 2004, waits increased 36% for all patients (from 22 to 30 minutes, on average). But for those classified by a triage nurse as needing immediate attention, waits increased by 40% (from 10 to 14 minutes). Patients with acute myocardial infarction waited only 8 minutes in 1997, but waited 20 minutes on average in 2004, and one-quarter of these patients waited 50 minutes or more in 2004 before seeing a physician. The study, published online last month in Health Affairs, analyzed more than 90,000 emergency department visits.

Pandemic Preparation Not Enough

The United States, its international partners, and the pharmaceutical industry are investing substantial resources to address the availability and efficacy of antivirals and vaccines in the case of an influenza pandemic, the U.S. Government Accountability Office said in a report. But antivirals and vaccines might not be very effective in the case of such a pandemic, the GAO said. For effective antiviral use, health authorities must be able to detect a pandemic influenza strain quickly; effectiveness could be limited if antivirals are used more than 48 hours after the onset of symptoms, or by the emergence of strains resistant to antivirals. And it could take up to 23 weeks to manufacture a pandemic vaccine, so such vaccines are likely to play "little or no role" in efforts to forestall a pandemic in its initial phases, the GAO said in its report, "Influenza Pandemic."

Blues Launch Campaign

The Blue Cross and Blue Shield Association last month unveiled a five-point plan for building on the current employer-based health insurance system to improve quality, rein in costs, and provide universal coverage. The plan would create an independent institute to support research comparing the relative effectiveness of different medical treatments; change incentives so that providers are rewarded for delivering high-quality, coordinated care, especially for those with chronic illnesses; empower consumers and providers with personal health records and cost data on medical services; promote healthy lifestyles to prevent and manage chronic illness; and foster public-private solutions to cover the uninsured. For each of the five action steps, the proposal outlines what Blues plans are doing in their local communities, and lists the necessary steps for implementing the steps nationwide. The BCBSA said that it and its 39 member plans will promote the plan in a multifaceted campaign this year.

Docs Mistrust Error Report Systems

U.S. physicians are willing to report medical errors but don't trust the current error reporting systems, according to a study in the January/February issue of Health Affairs. Between July 2003 and March 2004, researchers surveyed more than 1,000 physicians in rural and urban areas of Missouri and Washington state. They found that because of their mistrust of current systems, most physicians rely on informal discussion with colleagues as a way to report and share information about errors. Most physicians also reported that they had been involved in an error—56% with a serious error, 74% with a minor error, and 66% with a "near miss." When asked what would increase their willingness to formally report errors, 88% said they wanted information to be kept confidential and nondiscoverable, 85% wanted evidence that error information would be used for system improvements, and 53% said they wanted review activities confined to their department. "These findings shed light on an important question—how to create error-reporting programs that will encourage clinician participation," said Dr. Carolyn M. Clancy, director of the Agency for Healthcare Research and Quality, which funded the study. "Physicians say they want to learn from errors that take place in their institution. We need to build on that willingness with error-reporting programs that encourage their participation."

—Jane Anderson