

FY 2010 Budget Includes Health Reform Funding

BY MARY ELLEN SCHNEIDER

The Obama administration plans to finance a portion of its ambitious health care reform plan through changes to the Medicare and Medicaid programs, including the bundling of payments for inpatient and postacute care.

The new details were provided as part of the administration's fiscal year 2010 budget request sent to Congress. President Obama had released the highlights of his budget plans in February but had not provided specifics on his legislative and regulatory proposals.

As expected, the centerpiece of the detailed budget proposal is health care reform. The budget would establish a "reserve fund" of about \$635 billion over 10 years to finance at least part of the comprehensive health reform efforts, which would come from new revenue resulting from tax changes, as well as from savings within the Medicare and Medicaid programs.

"This budget sends a clear message that we can't afford to wait any longer if we want to get health care costs under control and improve our fiscal outlook," said Kathleen Sebelius, Secretary of the Department of Health and Human Services.

The Obama administration proposes to trim \$287.5 billion from Medicare over 10 years, with \$520 million in savings coming in FY 2010. The budget proposal also counts \$22 billion in savings over 10 years from the Medicaid program, with \$1.5 billion in savings being realized in FY 2010.

Among the legislative proposals that would contribute to those savings is a plan to tie a portion of hospital Medicare payments to performance on quality measures starting in 2011. The administration also is proposing to cut payments to hospitals with high readmission rates starting in 2012.

The budget proposal seeks to allow physicians to form voluntary groups to coordinate care for Medicare beneficiaries. Those groups would be eligible to receive bonus payments from Medicare if they improved the quality of care and produced savings.

The administration hopes to begin bundling Medicare payments for inpatient hospital services and postacute care within 30 days of discharge, beginning in 2013. Savings would also be generated, according to the administration, by a new competitive bidding system for Medicare Advantage plans.

The FY 2010 budget does not include a fix for the Medicare physician payment system, which is again set to make significant cuts to physician payments in January. However, the budget document includes support for changing the payment formula, including assessing the coverage of physician-administered drugs under the payment formula.

The FY 2010 budget proposal includes a total of \$879 billion for HHS, a \$63 billion increase over FY 2009 levels.

The administration also is moving to bolster cancer research as part of the budget proposal. The proposal includes

nearly \$31 billion for the National Institutes of Health, with more than \$6 billion dedicated to cancer research.

In addition, the budget addresses concerns about the response to the 2009-H1N1 "swine" flu. Aside from the \$1.5 billion supplemental request, the administration is seeking \$584 million in the FY 2010 budget proposal. The money would go toward developing, producing and distributing antivirals, vac-

cines, and personal protective equipment.

The administration is planning to invest \$1 billion into health care workforce initiatives including expanding loan repayment and scholarship programs for physicians, nurses, and dentists who work in underserved areas.

The administration asserted its commitment to lowering drug costs with a policy proposal in the FDA budget to create a regulatory pathway for the ap-

proval of generic biologicals. Under this pathway, innovative products would be given a period of exclusivity. However, brand name manufacturers would be barred from reformulating existing products into new products in order to restart the exclusivity process. ■

The FY 2010 budget documents are available online at www.hhs.gov/asrt/ob/docbudget/index.html.

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