

FY 2010 Budget Includes Funds for Health Reform

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 fiscal year 2010 budget request that the administration sent to Congress in early May. President Obama had released the highlights of his budget plans back 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 U.S. Department of Health and Human Services.

"Investing in health reform today will help bring down costs tomorrow and ensure all Americans have access to the quality care they need and deserve," she added.

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 administration is hoping to begin bundling Medicare payments for inpatient hospital services and postacute care within 30 days of discharge, a change that would start in 2013.

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.

Savings also would be generated, according to the administration, by a new competitive bidding system for Medicare Advantage plans. Under such a system, payments to Medicare Advantage plans would be based on the average of plan bids submitted to Medicare. This type of market-based system would

reduce costs, according to the Obama administration.

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

The FY 2010 budget proposal includes a total of \$879 billion for HHS, which is a \$63 billion increase over the amount in the FY 2009 budget.

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



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nearly \$31 billion for the National Institutes of Health, with more than \$6 billion dedicated to cancer research across the agency. This is the first installment in President Obama's plan to double NIH cancer research by FY 2017.

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, vaccines, and personal protective equipment. It would be used for surveillance and response efforts, as well.

The administration also is planning to invest \$1 billion into health care workforce initiatives, which would include expansion of loan repayment and scholarship programs for physicians, nurses, and dentists who agree to work in underserved areas.

The administration asserted its commitment to lowering drug costs with a policy proposal in the Food and Drug Administration budget to create a regulatory pathway for the approval 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. Additionally, the FDA budget includes \$5 million to explore ways for Americans to safely import drugs from other countries. ■

The FY2010 budget documents are available online at www.hhs.gov/asrt/ob/docbudget/index.html.

POLICY & PRACTICE

Psych Care Often Inaccessible

Two-thirds of primary care physicians said they couldn't get outpatient mental health services for their patients, according to a study by the Center for Studying Health System Change. The 2004-2005 data are from the center's Community Tracking Study Physician Survey and other sources. A total of 67% of primary care physicians said they couldn't access mental health services for patients, compared with 34% who said they couldn't get specialist referrals and 30% who had trouble getting diagnostic imaging. Problems were related to health plan barriers, inadequate insurance coverage, and shortages of providers. The study, funded by the Commonwealth Fund, was published online in Health Affairs.

CMS Considers Hospice Rule

Physicians certifying patients for Medicare-covered hospice stays would be required to write a brief explanation of why a patient has 6 months or less to live, under a new rule proposed by the Centers for Medicare and Medicaid Services. Currently, physicians need only sign a certification to qualify someone for hospice services, although the CMS also requires the medical record to include documentation supporting a terminal prognosis. However, the Medicare Payment Advisory Commission has noted an increasing number of hospice patients with stays longer than 180 days, and the proposed rule is designed to provide more accountability for hospice certification, the CMS said. Comments, including whether the requirement would increase physician engagement in the certification process, are due by June 22.

Medical Discipline Declined

State medical boards seriously disciplined far fewer doctors in 2007 and 2008 than they did in 2004, the peak year for such actions against doctors, according to an analysis by the consumer-advocacy group Public Citizen. In 2008, there were 2.92 serious disciplinary actions per 1,000 physicians, the same rate as in 2007 but 21% lower than in 2004. The states that disciplined the most doctors per 1,000 practitioners were Alaska, Arizona, Colorado, Iowa, Kentucky, Louisiana, Maine, North Dakota, Ohio, and Oklahoma. Minnesota disciplined the fewest physicians, and California, Florida, Maryland, South Carolina, and Wisconsin ranked low on the list, Public Citizen said. The annual rankings are based on data from the Federation of State Medical Boards. Serious disciplinary actions include license revocations and surrenders, suspensions, and probation with restrictions on practice.

Proposed ESRD Policy Risky

A proposed change in Medicare reimbursement policy could make it more difficult for African Americans with kidney disease to access dialysis

services, a study in the Journal of the American Society of Nephrology suggested. Under the possible policy change, the CMS would make a single bundled payment to dialysis units to cover both dialysis and injectable medications, which have been reimbursed separately. The analysis of 12,000 patients starting dialysis found that African Americans had lower initial hemoglobin levels, compared with levels in whites who were beginning treatment. The study also found that the average required dose of erythropoiesis-stimulating agents over the first 2 months of dialysis was 11% higher in African American patients. Since dialysis centers no longer will be reimbursed more for the higher doses, the researchers said they are concerned that the new policy could create a financial disincentive for centers to accept African Americans. "If race is not included as a payment adjuster, African Americans could be disadvantaged by this policy change," asserted study coauthor Dr. Areef Is-hani of the University of Minnesota.

PhRMA Revises Trial Standards

The Pharmaceutical Research and Manufacturers of America has revised its voluntary standards for how drug manufacturers run clinical trials and communicate trial results. The new PhRMA standards call on drug makers to register on a public Web site all interventional clinical trials—including some phase I studies. The standards also call for companies to "greatly expand transparency in medical research" by providing summaries of results from for all interventional clinical trials, regardless of whether the research is discontinued or the medication being studied is ever approved. Finally, the new standards call for drug makers to adopt the authorship standards of the International Committee of Medical Journal Editors. The committee says, for instance, that only individuals who make substantial contributions to a manuscript should be included as authors.

Routine HIV Testing Urged

The American College of Physicians and the Infectious Disease Society of America have jointly called for routine HIV testing for sexually active adults, pregnant women, and newborns. Federally supported health care programs should provide coverage for such testing, said the policy statement, published in the journal Clinical Infectious Diseases. In addition, public health officials should promote evidence-based interventions to minimize the risk of HIV transmission—comprehensive sex education, condom distribution, and syringe-exchange programs—the two groups said. They also urged that all patients living with HIV/AIDS in the United States have access to care provided by physicians trained in AIDS treatment.

—Jane Anderson