

POLICY & PRACTICE

Medicare Funding Woes

The first-ever “Medicare funding warning” was issued by the program’s trustees in their annual report, which requires the President to propose funding reforms within 15 days of submission of the fiscal 2008 budget and Congress to address the proposal on an “expedited basis.” The warning—mandated by the Medicare Modernization Act of 2003—was triggered by the fact that for the second year in a row, more than 45% of next year’s projected total Medicare outlays will come from general government revenues. In their report, the Medicare trustees noted that higher tax revenues and lower projected benefit payouts have extended by 1 year the date that the Medicare Hospital Insurance Trust Fund (Part A) will be exhausted, but added that the impending retirement of 78 million baby boomers still will deplete the Medicare trust fund by 2019 unless lawmakers enact major changes. Medicare Part B and Part D both are projected to remain funded because current law automatically provides financing each year to meet next year’s costs. But expected steep cost increases in those programs will result in rapid increases in financing needs from general revenue and substantial increases in beneficiaries’ premiums, the trustees’ report said. The report highlights the need for a comprehensive, long-term fiscal plan for Medicare, American Medical Association Board Chair Dr. Cecil Wilson said in a statement. “Arbitrary, drastic payment cuts to the physicians who are the foundation of Medicare are not the answer,” Dr. Wilson said, adding that lawmakers should act to stop next year’s automatic 10% Medicare physician payment cut to protect seniors’ access to care in the short term.

Texas Rejects Gardasil Mandate

Texas lawmakers last month rejected Gov. Rick Perry’s mandate that 11- to 12-year-old girls in the state be vaccinated against human papillomavirus (HPV) before entry into the 6th grade. The legislature overwhelmingly approved a bill that bars the state from ordering the shots for at least the next 4 years. In February, Gov. Perry signed an executive order requiring the shots, but many legislators opposed the move, saying parents should decide whether to vaccinate against a sexually transmitted disease. The Texas Medical Association (TMA) did not support the state mandate, even though “the science behind the HPV vaccine is strong and physicians are excited that this vaccine will prevent about 70% of cervical cancer cases and 90% of cases of genital warts,” TMA President Dr. William Hinchey said in a statement.

Drug Price Negotiation Blocked

Republicans in the Senate have blocked a proposal to allow Medicare to negotiate lower drug prices within Part D plans, which will likely shelve

the issue. Even though the House passed a bill 255-170 requiring the Secretary of Health and Human Services to negotiate prices in Part D, Senate Democrats were unable to gather the 60 votes needed to take up debate on similar legislation. Just 55 senators, including 6 Republicans, supported a Democratic motion to bring up the bill, while 42 senators voted against it. President Bush had threatened to veto the bill if it were passed. Republican senators had argued that the pharmacy benefit managers who run Part D plans already are negotiating large discounts for enrollees. “In blocking this bill from even being debated, Senate Republicans have resorted to obstructionism in an effort to protect the drug industry at the expense of our seniors,” said Senate Majority Leader Harry Reid.

AARP to Offer Health Insurance

Senior advocacy group AARP said that it will add a Medicare Advantage plan run by UnitedHealth Group to its offerings next year, along with several other health insurance products from Aetna Inc. aimed at adults ages 50-64 years. The Medicare Advantage product, to be launched Jan. 1, is expected to enroll 1 million Medicare beneficiaries initially, AARP officials said. In addition to the new Medicare Advantage plan, AARP’s agreement with UnitedHealth includes Medicare Supplemental insurance, Part D plans, and indemnity insurance products. AARP said that it will dedicate \$500 million of its royalty payments from the two insurers over the next 10 years to fund a new program designed to help Americans find health information and assistance.

Juries Side With Doctors

Contrary to popular belief, juries in malpractice cases usually sympathize more with physicians and less with their patients, according to a law professor who performed an extensive review of studies involving malpractice cases from 1989 to 2006. University of Missouri–Columbia School of Law professor Philip Peters found that plaintiffs rarely win weak cases, although they have more success in cases viewed as a “toss-up” and better outcomes in cases with strong evidence of medical negligence. Mr. Peters, whose study appeared in the May edition of the Michigan Law Review, said that several factors systemically favor medical defendants in the courtroom, including the defendant’s superior resources, physicians’ social standing, social norms against “profiting” by injury, and the jury’s willingness to give physicians the benefit of the doubt when evidence conflicts. “The data show that defendants and their hired experts are more successful than plaintiffs and their hired experts in persuading juries to reach verdicts that are contrary to the evidence,” Mr. Peters said.

—Jane Anderson

No Bill on the Uninsured Viewed as Likely Winner

BY JOEL B. FINKELSTEIN
Contributing Writer

WASHINGTON — Lawmakers are brimming with ideas about what to do for the nation’s 47 million uninsured, but it is not clear whether any single proposal has enough support to overcome political obstacles.

Just months into the start of this session of Congress, several bipartisan bills have been introduced and sweeping reforms have been proposed, including some that would expand health coverage to most—if not all—Americans. Lawmakers are also proposing incremental approaches that would build on ongoing state efforts.

Although those proposals would require increased federal spending, they would also bring about administrative savings within the health care system. Reductions in the amount of paperwork and in uncompensated care could yield savings of between \$4.5 billion and \$60.7 billion, according to a new report from the Commonwealth Fund.

The report, with cost estimates produced by the Lewin Group, contains analyses of recent proposals, including the tax reforms that President Bush described in his January state of the union address. In that speech, the president proposed a health insurance tax break to everyone who purchases coverage, rather than only for those who get it through their employers.

Under the proposal, anyone covered by a private plan would get the standard deduction of \$7,500 for individuals and \$15,000 for families.

The implementation of this tax change would help 9 million uninsured Americans get coverage at a cost of \$70.4 billion in federal subsidies in the first year, according to the report.

The goal of this or any reform should be to make health insurance more affordable and efficient, explained Katherine Baicker, Ph.D., a member of the president’s Council of Economic Advisers, at a recent briefing sponsored by the Alliance for Health Reform.

“The parts of the country where we spend the most on health care are not the parts where people end up with the highest quality health care, they’re not the parts where people are sickest,” Dr. Baicker said.

There is evidence “that we could get more for our money,” she added.

Proposals in Congress tend to have more ambitious aims. Legislation introduced last year by Rep. Pete Stark (D-Calif.) would open both Medicare and the Federal Employees Health Benefits Program to all Americans. It would cover almost all of those who are currently insured and uninsured and increase federal health care spending by \$154.5 billion in the first year.

Another proposal from Sen. Ron Wyden (D-Ore.) would extend coverage to 95% of the uninsured through large, regional risk pools whereby individuals and families could purchase private plans. Because it requires employers to buy into the plan, this approach would cost the federal government only \$24.3 billion in the first year.

More modest proposals have also been circulating on Capitol Hill and are receiving bipartisan support. Among these are calls to ensure that all children are covered, which is likely to arise during discussions on the reauthorization of the State Children’s Health Insurance Program. Other lawmakers would like to see more federal government support for state experiments with sweeping reforms.

However, there are more fundamental differences in the philosophies that undergird many of these proposals.

Some are rooted in the belief that the health care system cannot be fixed until everyone is brought into it.

“As long as coverage is incomplete, efforts to achieve cost control with respect to the insured population will generate social and health consequences that none of us would find tolerable,” said Henry Aaron, Ph.D., an economist and senior fellow at the Brookings Institution in Washington.

He explained that in a situation in which some patients are insured and others are not, physicians and other providers are forced to prioritize by attending to patients who can pay so that they can subsidize those who can’t.

But as increasingly fewer people can afford coverage, it will become more difficult for physicians to accept patients without insurance. “Cross-subsidies that the uninsured now enjoy would be squeezed, and it would give the state of being uninsured a whole new and terrifying meaning.”

Others argue that covering everyone without first dealing with the rising cost of health care would aggravate existing problems. “Getting the fundamental cost drivers under control is a necessary precondition for covering the uninsured. If we don’t do that, no system we design today will be affordable tomorrow,” Dr. Baicker said.

Dr. Aaron pointed out that such differences in perspective are reflected in the diversity of proposals that are on the table, which is why it may be necessary to try reforms at the state rather than the national level.

“We are not—let’s be honest here—on the verge of a national consensus about which of those models will work, and we are not close to the prospect of being able to get 60 votes in the Senate and a presidential signature,” he said. “Health care financing is too vast to be remade in a single bill. It will come gradually and over time.”

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Sweeping reforms have been proposed in Congress. Incremental approaches also are being proposed by lawmakers that would build on ongoing state efforts.