

Tax Revenues Decline, Costs Rise

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essentially unchanged, although the Centers for Medicare and Medicaid Services announced in May that it would look at expansion programs on a case-by-case basis.

Expansion plans by New York and Ohio were rejected by CMS, but New York used state funds to expand coverage to children living in families with incomes up to 400% of the poverty level. Ohio is using state money to cover children who can't get private health coverage, but the expansion is not through Medicaid or SCHIP, according to the Families USA report, "Detour on the Road to Kids Coverage: Administration Creates Roadblocks, So States Seek Alternative Routes."

Ohio also raised eligibility to the federal ceiling (250% of the poverty level).

Indiana, Louisiana, Oklahoma, and Wisconsin had planned to raise eligibility for their programs to 300% of the poverty level, but have now scaled that back to 250%, according to the Detour report. Finally, North Carolina, Washington state, and West Virginia also had expansion plans, but have not yet submitted them to CMS, according to the report. It is not clear yet how those states will proceed.

Despite the CMS directive and the bleak economic outlook, some states—including Colorado, Florida, Iowa, and Kansas—are planning to expand coverage next year. The expansions in Iowa and Kansas, however, depend on a reauthorization of the SCHIP program, according to the Detour report.

There also may be a ballot measure in Montana in the fall that will be aimed at increasing eligibility from 175% to 250% of the poverty level.

California is wrangling over the state's budget, which included an increase in cost sharing for SCHIP (which is called "Healthy Families" in California) as well as reduced Medicaid coverage for parents.

Rhode Island is also looking at paring back its SCHIP coverage in fiscal 2009 and increasing cost sharing for families.

"States are committed to covering kids, but they are clearly hampered by the roadblocks the administration has put up," commented Families USA senior

policy analyst Jenny Sullivan in a briefing with reporters.

Most states are also feeling the pinch as tax revenues recede while Medicaid costs—increasingly a larger proportion of most state budgets—continue to rise, according to the second Families USA report, "Precarious Position: States Must Balance Declining Revenues With a Growing Need for Medicaid."

The report found that 16 states and Puerto Rico are looking at budget deficits in fiscal year 2008, and 29 states and the District of Columbia are looking at shortfalls in fiscal 2009.

States are 'clearly hampered by the roadblocks the administration has put up,' with most also being buffeted by rising Medicaid costs and receding tax revenues.

The increasing unemployment means that more Americans will turn to Medicaid for health coverage for them and their children, said the organization. The Medicaid report cited a study by the Kaiser Family Foundation showing that each 1% rise in unemployment increased Medicaid and SCHIP enrollment by 1 million, leaving states with an additional \$1.4 billion obligation.

In California, Gov. Arnold Schwarzenegger (R) has proposed \$1 billion in Medicaid and SCHIP cuts. That means that the state would lose an additional \$1 billion in federal matching funds—a danger that all states face as they look to balance their budgets through Medicaid cuts, according to the Medicaid report.

Mississippi is also considering Medicaid cuts in a special legislative session. Maine instituted some cost-sharing measures; New Jersey is considering shifting more of the burden onto Medicaid recipients. In Rhode Island's 2008 budget, eligibility was reduced for parents and cost sharing was increased; premium payments based on income are required, and the state is looking at further cuts in 2009, according to the report.

Families USA is pushing for federal relief, such as a temporary increase in the matching rate given to states for Medicaid. Congress passed such a temporary fix in 2003, and several bills have been introduced in this congressional session. However, it is unclear whether a proposed fix could make it out of Congress this year, said a Families USA staffer in the briefing. ■

POLICY & PRACTICE

Feds Scrutinize Generic Maker

India's Ranbaxy Inc., one of the world's top 10 generic drug makers, is being investigated by various arms of the federal government for allegedly introducing "adulterated or misbranded products" into the U.S. market. The company's auditor, Parexel Consulting, is also under scrutiny. According to a subpoena for documents filed in the U.S. District Court for the District of Maryland by the federal Department of Justice and the U.S. Attorney's Office in Maryland, Ranbaxy submitted false information to the Food and Drug Administration on sterility and bioequivalence, covered up violations of good manufacturing practice, and defrauded Medicare. Rep. John Dingell (D-Mich.) and Rep. Bart Stupak (D-Mich.) said they will formally investigate the situation. "If these allegations are true, Ranbaxy has imperiled the safety of Americans in a manner similar to the generic drug scandal we uncovered 20 years ago," said Rep. Dingell. "I would like to know whether FDA officials knew about these allegations and what, if any, action was taken."

OIG Okays Gift Cards

The Health and Human Services Department has granted permission to an unnamed health care system to manage and resolve patient complaints by offering dissatisfied patients \$10 gift cards. The health system, which includes three hospitals, 22 clinics, a skilled nursing facility, and a health plan, had asked the HHS Office of Inspector General if it could offer gift cards for local restaurants and theater chains, the OIG said. The health system had suggested using the gift cards to resolve complaints about excessive wait times; cancelled appointments; delayed meals; excess noise; housekeeping or dietary concerns; equipment problems in hospital rooms; or loss of personal items. The OIG said in its opinion that the gift cards would not be considered illegal kickbacks.

Accreditation for Urgent Care

The Urgent Care Association said it will discontinue its own accreditation program and instead will partner with the Joint Commission on Accreditation of Healthcare Organizations, which currently provides an ambulatory care accreditation program. The groups also said they will collaborate on the development of quality standards specific to urgent care, which are targeted for introduction in 2010. Discontinuing its own program and instead providing support services through the JCAHO's ambulatory care accreditation program will allow the Urgent Care Association to focus on other quality assurance issues specific to urgent care, executive director Lou Ellen Horwitz said in a statement.

RACs Find Overpayments

The recovery audit contractors (RAC) pilot program is successfully identifying improper payments, according to a Centers for Medicare and Medicaid Services report. The findings also will help the

CMS improve the program as it expands nationwide within 2 years, said the agency. The report showed that \$693.6 million in improper Medicare payments were recovered between 2005 and March 2008. Of the overpayments, 85% were collected from inpatient hospital providers, 6% from inpatient rehabilitation facilities, 4% from outpatient hospital providers, and 2.5% from physicians. The remaining 2.5% were collected from ambulance services, skilled nursing facilities, and durable medical equipment suppliers. The program began in California, Florida, and New York in 2005 and expanded to Arizona, Massachusetts, and South Carolina in 2007.

Mass. Plans to Pay Clinics

Health plans in Massachusetts will join plans in two dozen other states in covering visits to urgent care clinics located in chain drugstores, said CVS Caremark Corp. spokeswoman Carolyn Castel in an interview. "We expect that both national and regional players in the state" will add MinuteClinics to their networks, she said. In January, the Massachusetts Public Health Council gave CVS Caremark permission to open the clinics. At the same time, the council ordered new regulations governing how the clinics are run in an effort to address concerns by physician groups that the clinics could, for some patients, replace an ongoing relationship with a physician. CVS Caremark intends to open 15-28 MinuteClinics in Massachusetts by the end of this year, and hopes to have 100 clinics operating in the state within 5 years, Ms. Castel said. The company is negotiating for coverage of clinic services with Blue Cross and Blue Shield of Massachusetts, the state's largest health insurer, she said.

Medicare Pay Favors Specialists

Incomes vary widely in the four medical specialties—geriatrics, hematology-oncology, nephrology, and rheumatology—that derive more than half of their revenues from government-run health insurance programs, a study showed. For example, geriatricians' incomes averaged \$165,000 annually, compared with \$504,000 for hematologists, even though the specialties require a similar amount of training, researchers from Harvard Medical School at Cambridge (Mass.) Health Alliance, wrote in a study published online in the Journal of General Internal Medicine. They analyzed data from the national Medical Expenditure Panel Survey. The income disparity fuels the shortage of primary care physicians, said lead author Dr. Karen Lasser. "It's no surprise that there is a shortage of primary care doctors when debt-burdened medical students have much more lucrative career options," she said in a statement. "What is surprising is that government fee schedules are behind much of this income discrepancy." In total, Medicare accounts for about 21% of payments to doctors, whereas Medicaid and other government programs account for 10%, according to the study.

—Jane Anderson

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