Congressional Leaders Eye Short-Term Pay Fix

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WASHINGTON — A permanent fix to the Medicare physician fee schedule "will be a difficult bill to pass through Congress," Mark Hayes, a majority spokesman for the Senate Finance Committee, said at a conference sponsored by AcademyHealth.

"It's an expensive proposition in the current budget climate we're in," Mr. Hayes said, voicing the concerns of other Republican staff members who participated in a discussion on the 2006 health care agenda. This year's midterm congressional election also will play a role in shaping progress on this issue, he said.

Driving the cuts in pay is the sustainable growth rate (SGR), a component of the Medicare payment formula that ties medical spending to the ups and downs of the national economy and determines the conversion factor update each year. Errors made to the formula in 1998 and 1999 led to a 5.4% decrease in physician payments in 2002 and will continue to cause decreases until the process is changed.

In recent years, Congress has staved off additional reductions by providing small increases in pay. This year's Deficit Reduction Act provided another 1-year fix to the physician payment issue, a "0%" update, instead of a fee increase.

"Unfortunately, under the existing formula, physicians are expected to take another 4.4% reduction in 2007," said Chuck Clapton, chief counsel for the House Energy and Commerce Committee's subcommittee on health.

"We have to make sure that beneficiaries continue to get access to physician services," Mr. Clapton said. At some point, this will require yet another short-term fix for 2007, but for the long term, "it's my chairman's [Rep. Joe Barton (R-Tex.)] vote that we take more [systematic] steps to address some of the underlying problems that led to these recurring issues."

Pay for performance should factor into this reform, Mr. Clapton said.

Sen. Max Baucus (D-Mont.), ranking member of the Senate Finance Committee, agreed that the issue was complex and expensive. "We certainly anticipate action on the issue this year," Carol Guthrie, an aide to the senator, said in an interview. "Sen. Baucus feels that it's vital, given our country's limited pool of health care dollars, to recognize and encourage excellent provider care with pay-for-performance measures."

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Sen. Baucus will continue to work with Sen. Chuck Grassley (R-Iowa), chair of the Finance Committee, to approve the pay-for-performance legislation they wrote together, Ms. Guthrie said. The panel also touched upon health savings accounts, with the Republican staffers supporting the approach as an affordable health care option that's already shown signs of success.

Congressional Democrats have historically criticized these plans for attracting only the young, healthy, and wealthy. This is what health care analysts call "adverse selection," Sen. Baucus said in a statement.

Other issues on the congressional health care agenda in 2006 include:

► **Medicaid's waiver process.** With the flexibility that the Deficit Reduction Act provided to the states, "we believe we will have a fresh look at [Medicaid's] 1115 waiver process," Mr. Hayes said. The waivers give states the authority to make broad changes in eligibility, benefits, or cost-sharing in Medicaid.

► **State Children's Health Insurance Program.** SCHIP is back on agenda, because a number of states are facing shortfalls in 2007 for the program, Mr. Hayes said.

► **Health information technology.** The health care industry appears to be moving toward paperless systems, so it would be beneficial to come to some agreement on standards for an interoperable system, said Stephen J. Northrup, health policy staff director for the Senate Health, Education, Labor, and Pensions Committee.

► **Affordable coverage for small businesses.** The Senate Health, Education, Labor, and Pensions Committee is working on legislation to give small businesses newer and more affordable options to pool their resources, Mr. Northrup said. ■