Bush Proposal Targets Medicare and Medicaid

BY MARY ELLEN SCHNEIDER
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The Bush administration’s budget proposal for fiscal 2008 could be bad news for physicians and hospitals. The proposal, which was sent to Congress on Feb. 5, seeks about $600 billion in net cuts to finance the Centers for Medicare and Medicaid Services including Medicare, Medicaid, and the State Children’s Health Insurance Program (SCHIP), a $29.2 billion increase over projected 2007 levels. However, the budget also includes legislative proposals that would trim about $4.1 billion from the Medicare program for the fiscal year and $222 billion over 10 years.

In addition, it also calls for Medicaid reforms that would result in about $28 billion in savings in that program over 10 years. The president’s plan contains a number of provider payment changes including reducing the update factor for inpatient hospitals, outpatient hospitals, hospices, and ambulatory services 0.65% each year starting in fiscal year 2008; freezing the update for skilled nursing facilities and inpatient rehabilitation facilities in 2008; freezing updates for home health agencies in 2008, and reducing the update for ambulatory surgical centers for 0.65% starting in 2010.

The proposed budget does not address payments to physicians under Medicare, calling into question whether physicians will get relief from a projected 5%-10% cut in Medicare reimbursement slated for January 2008. However, Leslie Norwalk, acting administrator for the Centers for Medicare and Medicaid Services, said she has “no doubt” that proposals to address the sustainable growth rate formula—which is used to determine physician payments under Medicare—will be on the table for discussion with Congress.

Reductions in traditional entitlement programs such as Medicare, Medicaid, and Social Security are necessary to avoid tax increases, deficits, or cuts in benefits, President Bush wrote in an accompanying statement to Congress. But the fate of the Bush proposal already is in doubt in the Democrat-controlled Congress. “I doubt that Democrats will support this budget, and frankly, I will be surprised if Republicans rally around it, either,” Rep John Spratt (D.S.C.), chairman of the House Budget Committee, said in a statement.

Physicians organizations also took aim at the proposed budget. Dr. James T. Dové, president-elect of the American College of Cardiology, said the budget fell short in several areas, particularly in the lack of proposals to fix the physician payment formula. “Unless we can work together to put in place a more sustainable payment system for physicians, patients will suffer,” Dr. Dové said in a statement.

It remains unclear whether physicians will get relief from a projected 5%-10% cut in Medicare reimbursement slated for January 2008.

State Legislators Pursue Insurance Mandates, Transparency

BY GLENDA FAUNTLEROY
Contributing Writer

WASHINGTON — State legislation mandating health insurance will continue, with at least 12 more states going to debate bills to expand employer participation coverage in 2007, according to Susan Laudicina, director of state services research for the Blue Cross and Blue Shield Association.

The health care transparency debate also is heating up with a few states, such as Colorado and Ohio, passing laws requiring provider-specific data on quality and requiring that costs be made available publicly. At least 10 or more states will debate similar bills to promote transparency in 2007, she said.

Ms. Laudicina made her predictions when the Blue Cross and Blue Shield Association’s annual “State Legislative Health Care and Insurance Issues” report was unveiled at a briefing sponsored by the association.

The report updates the top health care and insurance issues from state legislatures across the country and the overview given by Ms. Laudicina detailed how, despite healthy revenue growth in 2006, state governments are grappling to stem rising health care expenses. “Health care expenditures now account for about one-third of all state budgets, and states are in desperate need of solutions,” the report said.

The report found that in 2006, states began implementing a range of initiatives including employer and individual mandates to cover the uninsured, public-private insurance partnerships to promote coverage and contain costs, and initiatives to improve quality care.

The Blue Cross and Blue Shield Association (BCBSA) reported that a flurry of new legislation was introduced across the country last year and early this year—all aimed at providing affordable, quality coverage.

“I read about 200 new legislations per week,” Ms. Laudicina said. “That’s how fast new legislation is coming in.” According to the report, employer and individual mandate legislations were pursued by three states in 2006: Massachusetts, Vermont, and Maryland. Twenty-five other states followed with introductions of similar bills last year, but none of those were enacted.

In 2006, 11 states—including Kentucky, Utah, Oregon and Ohio, and Washington—also worked to create or expand programs to make private insurance coverage affordable for low-income workers. Seven of these states decided to use public funds to buy subsidies to offset the premium costs of lower-income residents for health insurance.

The BCBSA “State Legislative Health Care and Insurance Issues” report is compiled from a survey of each of the 39 independent Blue Cross and Blue Shield companies across the country that together provide health coverage for almost 98 million Americans. BCBSA officials were also on hand to provide an overview of the association’s top health care issues facing the 110th Congress.

“We have three priorities, and the top of the list is addressing the uninsured,” said Aliasa Fox, the BCBSA’s vice president of legislative and regulatory policy.

Ms. Fox reported that the association is urging Congress to fulfill the State Children’s Health Insurance Program (SCHIP) to lower the number of uninsured children, adding that Congress “priority has to be to enrol these children.”

According to the BCBSA, a surprising 74% of children without health coverage are eligible under public programs, but are not presently enrolled. Adequate funding is necessary to streamline enrollment procedures and ensure that these children get health care.

In his budget submitted to Congress on Feb 5, President Bush called for an increase in SCHIP funding of $5 billion over the next 3 years—short of the $12 billion experts say is needed to fund the program. (See article above.)

Another priority for the BCBSA is maintaining funding for the Medicare Advantage (MA) program that provides coverage to more than 8.3 million people. Ms. Fox explained how further budget cuts would disproportionately hurt low-income and minority Americans who rely on the program for health care.

“There’s some talk in Congress about eliminating MA, and we are very concerned,” Ms. Fox said. “The MA program has suffered from $13 billion in funding cuts in the past 2 years, and further cuts would put access to affordable, comprehensive coverage in jeopardy.”

The BCBSA’s third priority is the vision of the Bush administration and Congress to create a nationwide health information network that will allow for the use of electronic health records in every hospital and doctor’s office.

Ms. Fox said the association is “very supportive of the bipartisan mission.”

PAIN RELIEVERS

“Let him keep his security blanket. It may be the only coverage he’s got.”