

# Dateline Washington

*prepared by the Division of Advocacy and Health Policy*

## **ACS applauds payment problem correction**

The American College of Surgeons issued a press release February 14 applauding the House and Senate for passing legislation that halted the 4.4 percent Medicare physician payment cut that was scheduled to become effective on March 1. In the press release, Thomas R. Russell, MD, FACS, the College's Executive Director, said, "The College is grateful to each of the legislators who worked together to correct the errors in the [payment] formula." He further noted that "credit must also be given to the Administration, which worked with the physician community over the past year to identify solutions to the problem and provide the leadership needed to get the job done."

The Omnibus Appropriations bill, H.J. Res. 2, allows the Centers for Medicare & Medicaid Services to correct errors it made when calculating physician payments in 1998 and 1999. Due to the cumulative nature of the payment formula, these errors were producing a series of annual, significant payment cuts—5.4 percent in 2002 and an estimated 4.4 percent cut in 2003. President Bush signed the legislation into law on February 20.

## **President's health care priorities identified**

In his second State of the Union address, President Bush identified a number of health care goals for the coming year. Listed prominently among those goals was "high-quality, affordable health [care] for all Americans." Although the President did not clearly identify his plan for ensuring access to care for the uninsured, he asserted that a "nationalized health care system that dictates coverage and rations care" was not an option.

Recognizing that health care for the elderly is the "binding commitment of a caring society," President Bush announced his intention of committing \$400 billion over the next 10 years to reforming and strengthening Medicare. While details about the plan were still unavailable at press time, the Administration has indicated that approximately 95 percent of that money will be dedicated to developing a prescription drug benefit for seniors. The remaining funds are to be used to adjust the Medicare fee schedule payments to physicians (see previous article). However, other stakeholders will be competing for those remaining dollars.

Importantly, the President appealed for an end to frivolous lawsuits. Calling the constant threat of litigation a major reason for higher health care costs, President Bush asked Congress to work with him to pass national medical liability reforms.

Unfortunately, the budget neglected to allocate funds to further strengthen the nation's trauma systems, even though the federal trauma system development program was deemed relevant to homeland security.

Finally, the budget earmarked \$80 million for the Agency for Healthcare Research and Quality (AHRQ) to test and validate information technology that will aid in developing electronic medical records and other technology that may be used to ensure patient

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safety. For a copy of the transcript of the President's State of the Union address, go to <http://www.cnn.com/2003/ALLPOLITICS/01/28/sotu.transcript.1/>. To obtain a copy of the FY 2004 budget, go to [http://w3.access.gpo.gov/usbudget/fy2004/fy2004\\_srch.html](http://w3.access.gpo.gov/usbudget/fy2004/fy2004_srch.html).

## **Liability reform legislation reintroduced**

A bipartisan group of legislators, led by Rep. James Greenwood (R-PA), recently introduced legislation to reform the medical liability system. H.R. 5, the Help Efficient, Accessible, Low-Cost, Timely Healthcare Act (HEALTH) of 2003, is modeled after California's Medical Injury Compensation Reform Act (MICRA) and includes a \$250,000 cap on noneconomic damages. The legislation also imposes a three-year statute of limitations, requires proportional damages among defendants, modifies the collateral source rule, allows for periodic payments of future damages, and limits attorney fees.

Last year, the House passed similar legislation, while the Senate voted against such a measure. Prompt action by the House on H.R. 5 is anticipated, while the Senate plans to conduct hearings before determining its next steps.

## **Changes proposed for state health insurance programs**

The Administration's budget provided a framework for changes in Medicaid and in the State Children's Healthcare Improvement Program (SCHIP). Health and Human Services Secretary Tommy G. Thompson recently announced a plan to address outdated Medicaid rules and give states extra funding to improve state Medicaid and SCHIP programs. The plan essentially changes the program from an entitlement to a block grant program. The stated purpose is to allow governors more flexibility to design programs that fit their particular state's needs for the poor and uninsured families. However, switching to a block grant program could leave these programs subject to new changes and limits in the future.

The proposal will:

- Provide an estimated \$3.25 billion in extra federal funding for Medicaid in fiscal year 2004, with \$12.7 billion in new funding over seven years.
- Preserve comprehensive benefits for "mandatory" groups, giving states expanded flexibility to tailor coverage for "non-mandatory" recipients and services.
- Encourage coverage and the creation of "medical homes" for whole families, rather than just the children in low-income families.
- Support increased use of home and community-based services for Americans with disabilities, including older Americans needing care that can help prevent premature use of nursing home care.

In addition to this plan, the President's budget includes \$2.4 billion over five years to extend Transitional Medicaid Assistance, which provides extended Medicaid coverage (12 months) for those transitioning from welfare to work. For more information, go to [www.hhs.gov/news](http://www.hhs.gov/news).