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prepared by the Division of Advocacy and Health Policy

College comments on MedPAC proposal

On February 1, the College responded to a request from the Medicare Payment Advisory Commission (MedPAC) for comments on draft recommendations to be included in the commission's March 2002 report to Congress. The College's comments focused largely on the commission's proposal to revise the formula used to calculate the annual update to the Medicare physicians' fee schedule. More specifically, MedPAC is recommending that Congress abandon the sustainable growth rate (SGR) system used to determine the update in favor of a new system that reflects estimated changes in input prices for the coming year.

While pleased with the overall direction that MedPAC took in its draft recommendations, the College expressed concern about a number of issues that the commission did not address. In particular, the College observed that the commissioners failed to adequately address needed adjustments to account for the effects of new technology, fluctuations in practice patterns, changes in patient severity, and other legitimate factors that may affect physician spending. The College also asked the commission to take a more cautionary tone in its assumption that physician willingness and ability to serve beneficiaries have not been affected by the cumulative payment reductions. This inference is based on early 1999 data that do not take into account the impact of the fully phased-in resource-based practice expense values, the most recent conversion factor reduction, or latest escalation in malpractice premiums.

College testifies on payment issues

On February 14, ACS Executive Director Thomas R. Russell, MD, FACS, testified before the House Energy and Commerce Subcommittee on Health during a hearing on Medicare physician payment issues. The hearing, which also included testimony from Tom Scully, Administrator of the Centers for Medicare & Medicaid Services (CMS), focused predominantly on MedPAC's recommendations for replacing the SGR as a means of updating physician payments under the Medicare fee schedule. During the hearing, Dr. Russell emphasized that Congress must develop an update process that more efficiently tracks beneficiaries' needs and the costs of providing the services to meet them.

President unveils 2003 budget plan

On February 4, President Bush unveiled his Administration's budget plan for fiscal year 2003. Release of the President's budget, which includes large increases in funding for defense programs and homeland security, signals the beginning of the formal budget process on Capitol Hill.

Under the budget proposal, the Department of Health and Human Services would receive \$489 billion to be allocated among its various agencies. The plan includes new funding for research at the National Institutes of Health, expansion of the number of community health

centers, and increased grants to schools of nursing to help improve education and enrollment in these programs.

The President has stressed that Congress should address payment adequacy for both Medicare+ Choice plans and physicians under the Medicare fee-for-service program. Unfortunately, the document does not include any funding for a midyear correction of the 5.4 percent reduction in the physician payment update. Instead, the plan states that the Administration will work with Congress "...to smooth out adjustments in the physician update system in a budget neutral manner."

Other Medicare issues of particular interest to surgeons include:

- Extending existing legislative mandates governing graduate medical education (GME) payments, which will reduce funding by \$570 million over a 10-year period.
- Reducing funding for Medicare peer review organizations.
- Renewing a proposal calling for "new discretionary user fees to be paid by providers for submitting paper claims and duplicate or unprocessable claims."

The President's budget also dedicates \$190 billion for 10 years to targeted improvements and comprehensive Medicare modernization, including a subsidized prescription drug benefit, better insurance protection, and enhanced private options for all beneficiaries.

In addition, President Bush attempts to address the problem of the uninsured through a number of tax code proposals targeted at expanding access in the private health insurance market. These initiatives include:

- New refundable tax credits for low- and moderate-income individuals and families who are not covered by an employer plan or enrolled in public plans.
- New tax provisions to improve and permanently extend medical savings accounts.
- A new deduction for long-term care insurance premiums.

While President Bush proposes a significant increase in funding for disaster preparedness initiatives such as hospital readiness and strengthening the public health infrastructure to respond to bioterrorism, his plan calls for eliminating funding for Title XII programs under the Public Health Service Act that foster trauma care system planning and development. The College and its trauma coalition have successfully secured funding for this important program over the last two fiscal years. Additionally, the program that allows children's hospitals to underwrite their graduate medical education programs is being decreased from \$285 million to \$200 million, and the Agency for Healthcare Research and Quality may experience a \$50 million cut.