



## Presidential Debt Commission and Health Reform Summit Headline Healthcare Changes

### *National Commission on Fiscal Responsibility and Reform*

Last week **President Obama** established, by executive order, a federal commission to make recommendations by December 1, 2010 on means to reduce the long term federal debt. The President named **former White House Chief of Staff Erskine Bowles and former Wyoming Republican Senator Alan Simpson** as the co-chairs of the 18 member commission. The president will name two additional Republicans and the same number of Democrats while congressional Democrats and Republicans will name an additional six members each. The President said that the recommendations will be “bipartisan” because the commission will need at least 14 votes to approve any recommendations forwarded to the Administration and Congress. It is anticipated that the increased level of spending under federal health programs will be targeted as a prime source for debt reduction. The commission’s charge is to arrive at recommendations that would reduce the federal budget deficit from about 10% currently to 3% of the U.S. GDP by 2015. Skeptics abound, with **House Minority Leader John Boehner** stating that he is waiting to hear from the White House about a Republican proposal to begin cutting spending immediately through a package of rescissions. His office said “That doesn’t mean we won’t participate in this commission, but it does indicate that

Washington Democrats aren’t serious yet about shutting down their spending binge....”

### *Slimmed Down Jobs Bill to be Considered in Senate*

As reported last week, the Senate is scheduled to take a cloture vote Tuesday on the \$15 billion jobs bill crafted by **Senate Majority Leader Harry Reid**. The bill includes a Hatch/Schumer payroll tax break for small businesses, an extension through this year of federal surface transportation programs, an expansion of the Build America Bonds program of tax-credit bonds for state and local infrastructure projects and an expiring extension through this year for higher expensing limits for small businesses included in the 2009 ARRA. This move leaves up in the air the Baucus/Grassley agreement on the Medicare physician payment fix. It is expected

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that the House and Senate will move additional legislation in the following few weeks to address this and other Medicare issues in time to avoid MD payment cuts and a major impact of therapy caps.

**CMS Reorganization**

Although **HHS Secretary Kathleen Sebelius** said a new

CMS Administrator will be named in the “not too distant future”, the agency is being reorganized to include a new “principal deputy administrator.” The former Secretary of Health and Human Resources in Virginia, **Marilyn Tavenner**, has been named to the new post. The new CMS structure will include an Office of External Affairs and Beneficiary Services, as well as four centers led by

deputy administrators (Center for Medicare; Center for Medicaid, CHIP and Survey & Certification; Center for Program Integrity; and Center for Strategic Planning).

**White House Health Reform Summit**

The White House is expected to post on the web a single health care reform proposal, “the best” of the House and Senate passed bills according to the **HHS Secretary Kathleen Sebelius**, before the bipartisan health reform summit to be held February 25th. Congressional Democrats are also rushing to reach agreement on a compromise bill that could pass both the House and Senate. However, complicating this effort is a push by House progressives and nineteen or more Senate Democrats to revive the so-called “public option.” Republicans generally remain skeptical, with **House Minority Leader John Boehner** saying that “a productive, bipartisan conversation begins with a clean sheet of paper....” However, the President has rejected the start over approach. **House Republican Conference Chairman Mike Pence** said it is time to pursue a “step-by-step approach that will reduce costs and win bipartisan support” and that “House Republicans are ready to work with the President and Democrats in Congress, but the starting point cannot be the same job-killing bill Democrats promoted this past year.” Hoping to paint Republicans in the same corner as health insurers if they reject the latest reform proposals,

**HHS Secretary Kathleen Sebelius** released a report last week showing that insurers in six states raised premiums or sought increases of between 18-56% in 2009 in the individual market. She said that without reform, “these increases will continue, and the federal government and most states don’t have the legal authority to block or reduce health insurance rate increases....” Following the disclosure, the House Energy and Commerce majority asked various insurers for an explanation of their premium increases. It was also reported that private Medicare Advantage plans increased their premiums by an average of 14.2% in 2010, after an increase of 5.2% in 2009. These increases will likely inject into the summit debate the push by Democrats for reductions in the payments to Medicare Advantage plans. Congressional Democrats continue to explore the use of the budget reconciliation process to move various pieces of any health reform compromise they may devise. Ironically, a national “public option” could possibly avoid a point of order under reconciliation while regulation of private insurers, including restrictions on preexisting conditions, would likely fall under such a motion.

## HHS Reduces Clawback Payments by States

Last week HHS announced that \$4.3 billion in financial relief to states is being made available to reduce the amount of “clawback” states would otherwise have to pay the federal government to offset the cost of Medicare coverage for prescription drugs for state residents eligible for both Medicare and Medicaid. The clawback reductions were made available due to the increased FMAP payments under the ARRA.

### CMS Rescinds DMEPOS/ Provider Rule

CMS has rescinded the August 7, 2009 compliance standards governing consignment closet arrangements between suppliers and health care professionals. CMS said it will seek alternative implementation dates for the rule.

### MA Plan Rate to Increase

CMS announced that the payment rates to Medicare Advantage (MA) plans will likely increase on average by 1.38% in the 2011 plan year. The actual percentage change may differ from the preliminary estimate.

### Medicaid Issues

State Medicaid cost pressures were recently noted in a Kaiser Family Foundation report. The report found that more than three million U.S. residents joined Medicaid in the year that ended June 2009 and that in more than three-fifths of all jurisdictions, enrollments more than doubled over the previous year. As a result, 29 states reduced services to beneficiaries or cut payments to providers and many more are considering similar steps.