



February 28, 2006

CRD ASSOCIATES HEALTH POLICY UPDATE

The President's FY2007 Budget Request - The President used his State of the Union address January 31 to unveil and in some instances dust off a series of legislative concepts he hopes Congress will address this year. On February 6, he sent lawmakers a more detailed blueprint in the form of a \$2.7 trillion budget request for fiscal year 2007—one which he contends will cut the deficit in half by 2009. In it he calls for holding government spending for non-defense, non-security discretionary programs *below* a nominal freeze that does not allow for inflation. To that end, the President proposes eliminating or substantially reducing 140 federal programs, throwing off savings of \$14.5 billion. Items of note-

- NIH funding would be funded at \$28.6 billion, the same as the FY2006 level and \$63 million below the FY2005 appropriations—the first time in over three decades that a president has proposed a reduction in NIH. With inflation projected to be 3.8 percent in FY2007, the reduction runs even deeper. The proposed budget will support 37,671 research project grants, or 656 fewer grants than currently estimated for this year. NIH estimates the budget request will support 9,337 new and competing grants, 275 more than this year.
- The budget proposes \$319 million to continue the Agency for Healthcare Research and Quality. AHRQ's primary focus will be on health costs, quality and outcomes, including \$84 million for patient safety and \$15 million for comparative effectiveness research.
- Not surprisingly, the budget proposes to eliminate Title VII programs, including Training in Primary Care Medicine and Dentistry. The only program left standing in the budget proposal is \$10 million requested for scholarships for disadvantaged students.

Congress – One of the first actions taken after Congress convened was final adoption of the \$39.7 billion Deficit Reduction Act, which included \$11 billion in cuts to Medicare and Medicaid. The legislation also blocked the planned 4.4 percent reduction in Medicare physician payments that was to have taken effect January 1, 2006. Lawmakers will spend the next several weeks pouring over the details of the President's budget proposals, with the congressional appropriations committees likely to set aside March and

April to hear testimony on those proposals. The House appropriations committee is likely to make its funding recommendations in early June, with the Senate following suit in July. In the interim, the House and Senate budget committees will work to set overall spending ceilings that will guide appropriators. (*According to preliminary estimates, the President's budget for labor, health and education programs is \$3.8 billion below current funding levels for these programs.*)

Developing a Budget Alternative – We are currently working in coalition with several public health and medical research stakeholders to construct a strategy for increasing the aggregate spending limit for health programs. Absent any other actions, Congress is likely to adopt the overall freeze on health spending the President has requested. Under that scenario, the appropriators would not have the resources necessary to restore funds cut under the President's budget request. We are currently devising a legislative amendment to the budget resolution, as well as seeking out a bipartisan team of co-sponsors in Congress.

Pay-for-Performance – In late February it was revealed that on December 16, the AMA had signed a pact with Congress promising to develop standard measures of performance which physicians will report to the federal government in an effort to improve the quality of care. Under the agreement, physician groups will develop 140 physician performance measures covering 34 clinical areas. Beginning in 2007, physicians will voluntarily report “at least three to five quality measures per physician.” The agreement cites the expectation that physicians will receive some additional payment to offset the costs of collecting and reporting the data. By the end of 2007, the AMA expects to have developed performance measures to cover a majority of Medicare spending for physician services. Upon learning of the agreement, several medical organizations said the agreed-upon timetable is unrealistic.

Reauthorization of Title VII-Health Professions Training – All signs continue to point to a serious attempt by lawmakers to reauthorize Title VII programs this year. But given the President's budget request, it seems certain that there will be a strong effort to dramatically reshape Title VII. In view of that, we strongly encourage SGIM to formulate its position soon. While Title VII reauthorization may not pass Congress this year, the authorizing committees are likely to lay the framework by floating draft legislation in late spring. As noted in last month's report, the AAMC has issued a proposal that would eliminate the Primary Care Loan program. While underutilized, it appears that the fault lies more with the program's punitive interest rates and long term commitment requirements. SGIM is developing a proposal for reforming rather than eliminating the program, and we are working with like minded groups to prevent the program's elimination.

Veterans Health Funding – In anticipation of another tough budget year, we have already begun working with the Friends of the VA (FOVA) to support higher levels of funding for VA health research and services, including supporting a statement from FOVA.

Pay-for-Performance – We have worked with HPC members with regard to the formation and SGIM’s involvement in the AMA-convened Physician Consortium for Practice Improvement (PCPI). We have assisted in crafting an SGIM position paper on how best to structure that effort.

Capitol Hill Day – We are in the process of developing and refining background and supporting materials that will be used at the March 15 Capitol Hill Day.

Health Policy Committee – Working with the Chair, we established the agenda for the monthly HPC conference call, actively participated in the call, and wrote the minutes of the call.

Annual Meeting – We are preparing our presentations for the Annual Meeting.

Status of Key Legislative Issues

House Labor-HHS and Veterans Appropriations Bills – Hearings expected to begin in mid-March.

Senate Labor-HHS and Veterans Appropriations Bills – Hearings expected to begin in late February.

AHRO Reauthorization Bill – Senate HELP Committee staff expects to begin working on a bill in early spring.

Title VII Reauthorization Bill – Senate HELP Committee staff expects to begin working on a bill in mid- to late spring.

Genetic Information Nondiscrimination Act (GINA) – This bill has passed the Senate; awaiting action in the House, where the leadership has been opposed to its consideration.