



Cavarocchi-Ruscio-Dennis Associates

Health Policy Report

February 2, 2010

- **HEALTH REFORM ON HOLD...FOR NOW**
- **FY2011 BUDGET PROPOSAL UNVEILED;
FREEZES MOST DISCRETIONARY
SPENDING**

Overview

Congress returned to work January 19, just in time for congressional Democrats to watch their 60-vote supermajority slip away. Congressional leaders now find themselves assessing what their next steps will be. In general, there are two basic options: Either start over with a new, scaled-back bill(s) that falls well short of universal coverage, but includes the most popular pieces of reform, such as prohibiting insurance companies from denying coverage because of pre-existing conditions, or Congress could pursue a so-called reconciliation bill that includes just enough reform to capture a simple majority in the House and Senate. Some in Congress also have suggested that the House simply adopt, unchanged, the bill passed by the Senate on Christmas Eve, but both liberal and conservative Democrats have balked at that approach.

If Congress pursues a budget reconciliation process for health care reform, the measure can include only those provisions that are considered “germane” i.e. have a direct impact on federal budget spending or taxes. A reconciliation bill could include new taxes, such as the Senate’s excise tax on high-valued health plans, or offer tax credits for premium subsidies. But any provisions that go beyond those objectives would be subject to a point-or-

order, meaning the provision would be stripped from the bill unless it garners 60 votes in the Senate.

Among those provisions that would likely be considered non-germane are the creation of health insurance exchanges, some market reforms, a public option (if not dependent on federal spending), prevention and wellness programs, anti-abortion provisions, delivery system reforms and reporting and data collection activities.

Some rank-and-file members of Congress are pushing the idea of passing several scaled-back measures that would fall well short of universal coverage but would still include the most popular pieces of the overhaul. That group has outlined a series of bills that would include a patients' bill of rights, remove antitrust protections for insurers, close the "donut hole" in the Medicare prescription drug program and provide tax credits for buying insurance. Those bills would lack any mandates on employers to provide coverage or individuals to buy it.

At press time congressional leaders had not decided what the next steps will be, but at this point it seems likely that further action on health care reform will not occur for several weeks, as most lawmakers are anxious to pivot to a new jobs creation bill.

In the meantime, President Obama officially kicked off this year's budget season when sent Congress a \$3.8 trillion fiscal year 2011 budget proposal on February 1. In it he proposes a three-year freeze on domestic discretionary spending. A freeze would not put a big dent in overall deficits, but it is one of the easier targets in the federal budget and sends a symbolic message.

The freeze would last from fiscal years 2011 through 2013, and would apply to discretionary spending unrelated to the military, foreign operations, veterans' affairs and homeland security. It would not affect entitlement programs such as Medicare, Medicaid and Social Security. If adopted, the freeze would hold spending levels at the affected federal departments to approximately \$447 billion, or about one-eighth of the entire 2010 federal budget, and save \$250 billion over the next 10 years.

Education Subcommittee Issues

The President's budget proposes \$995 million for health care workforce and diversity programs, slightly more than in FY2010, primarily to expand the National Health Service Corps (+\$27 million). Consistent with the overall freeze on spending, the budget would flat-fund at last year's level: Training in

Primary Care Medicine and Dentistry (\$54.4 million), Centers of Excellence (\$24.6 million) and the Health Careers Opportunity Program (\$22.1 million).

Research Subcommittee Issues

The budget proposes \$611 million for AHRQ, an increase of \$214 million above FY2010. This includes \$286 million for patient-centered health research, including support for 138 new and ongoing research grants to identify new and emerging issues, synthesize existing evidence and translate and disseminate new knowledge. The AHRQ budget also includes \$32 million, a \$4 million increase, for health IT research, enough to fund 44 research and training grants, and \$34 million to reduce and prevent healthcare-associated infections.

The President's budget proposes \$32.2 billion for NIH, an increase of \$1 billion, or 3.2 percent, over the FY2010 level. The request spreads the increase fairly evenly across the agency, with most institutes receiving an increase of about three percent. Within the total, the budget would support a two percent increase to help cover inflationary increases. The average cost of a new and competing grant will be \$443,000. Unlike last year, the President is not proposing to double funding for cancer and autism research over time. Instead, the budget highlights initiatives within those research programs, such as the start-up of 30 new cancer drug trials, cataloguing of the 20 most common malignancies and increased research to define the genetic and environmental factors contributing to autism spectrum disorders. The Clinical and Translational Science Award (CTSA) will be boosted so as to foster more collaborations among investigators in different fields. The budget calls for another \$20 million, bringing the program level to \$500 million.

Clinical Practice Subcommittee Issues

The budget includes \$784.3 billion for CMS, to cover both mandatory and discretionary spending, a net increase of \$48.3 billion over FY2010. That includes \$110 million for a Health Care Data Improvement initiative to address aging information systems and to transform the agency's data environment. In addition, the budget includes \$78 million, an increase of \$17 million, for the Office of the National Coordinator for Health Information Technology, to advance health IT adoption and electronic health records utilization.

The budget also includes \$371 billion over 10 years to reflect the administration's best estimate of future congressional action to address the Medicare physician payment issue.

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