



# ***THE CRD ASSOCIATES'***

# ***HEALTH POLICY REPORT***

***January 9, 2012***

## ***The Headlines:***

- **One Budget Year Ends; the Next is About to Start**
- **FY12 Research Funding; The High and Low Points**
- **Primary Care Training Restored**
- **Senators Call for GME Study**
- **SGR Cut Averted...For Now**

**SGIM's annual Capitol Hill Day is March 7! Don't miss this opportunity to advocate on behalf of the research, education and clinical practice issues important to members. Please contact Francine Jetton at [jettonf@sgim.org](mailto:jettonf@sgim.org) to register.**

### **One Budget Year Ends; the Next is About to Start**

With the passage in Congress of the final FY2012 appropriations bills just days before Christmas (and nearly three months late), our attention now turns to assessing the impact of the decisions that were made and

looking ahead to the FY13 budget, which will be released by the White House one month from today.

The FY2012 appropriations process, which was typically messy and confusing, particularly to the casual observer, was generally characterized as “not as bad as it could have been.”

There were some wins and some losses, many of which are detailed in the sections below.

But the events of the past twelve months will have a profound impact on what transpires in the next twelve months. The passage of the Budget Control Act and subsequent failure of the Super Committee have two long-range effects. First, it puts in place hard caps on domestic discretionary spending. Second, it starts in motion a sequestration process that will reduce spending even further below the caps.

As a result, the budget picture remains particularly difficult moving forward. Many observers are commenting that sequestration will never occur because Congress will bail everyone out in a lame duck session after the November 2012 election. However, many observers also said that the consequences of sequestration are so disastrous that the Super Committee would not fail. So, nothing should be taken for granted.

In the coming months, this report will be filled with information about the budget and appropriations process.

We know it can get mind-numbingly complex and arcane. But, frankly, we would not tell you if it did not matter. We encourage all SGIM members to follow these issues closely. Your research funding, your training, and your practice are all likely to be impacted by what happens in Washington DC in the coming months.

### **FY12 Research Funding – The High and Low Points**

In the all-important area of research, the results for FY12 are a bit of mixed bag. Here are some of the specifics:

*NIH* – The budget provides a \$240 million increase for NIH, a little less than one percent. This is an improvement over what the Senate had done (a one percent cut) but less than the three percent increase sought by the President).

Also of importance in the NIH section is some very strong directive language related to the moving of CTSA's into the new National Center to Advance Translational Science (NCATS). Specifically the language (which SGIM and some of our partners in clinical and translational research sought all year) emphasizes

the importance of maintaining the full spectrum of research handled by the CTSA's, including T-3 and T-4.

*AHRQ* – The law now provides \$369 million for AHRQ, a decrease of \$3.0 million from the previous year. It also directs money to investigator-initiated research, but leaves the term undefined.

*VA Medical and Prosthetic Research* – This account is where virtually all VA research is funded and remains essentially level-funded in FY12. The \$581 million available continues the current level of funding. In addition, there is \$17 million elsewhere in the bill for “Research IT Support.”

*Other Research Programs* – Many other key research programs for SGIM members are not appropriated programs and are therefore not affected by this legislation. PCORI and CMMI, for example, were funded through the ACA and that money remains

### **Primary Care Training Continued; HCOP Restored**

Thanks to strong advocates in Congress and vocal grassroots support from SGIM members and

others, House and Senate negotiators agreed to continue the Primary Care Medicine training program. The program, which was marked for elimination under a House bill introduced last fall, will be funded at \$38.9 million, slightly below the FY11 appropriation. In addition, the Health Careers Opportunity Program (HCOP) will be funded at \$14.9 million. HCOP funding was proposed for termination in both the House proposal and the Senate-passed bill. The spending bill President Obama signed into law contains \$233.2 million for Title VII health professions training programs, a \$19.3 million (7.6 percent) cut below the FY 2011 appropriation, and \$231.9 million for nurse training, a \$10.4 million (4.3 percent) cut. These funding levels reflect an across-the-board cut of 0.189 percent applied to most programs in the Labor-HHS-Education bill.

### **Senators call for GME Study**

On December 21, seven senators wrote to Institute of Medicine President Harvey Fineberg, MD, PhD, asking for an independent review of the governance and financing of the

Medicare graduate medical education (GME) program. The bipartisan group called it a “time to redesign health care workforce education and training in a manner that improves access to and delivery of health care services and enables the future generation of health care professionals to actively participate in creating high quality, lower cost health care.” The senators, all from western states, representing both parties, called for a complete review of GME, including inequities in funding across states.

During 2011, GME funding was threatened during multiple budget negotiations related to the debt ceiling increase last summer and the recent failed Super Committee process.

The Senators wrote: “We believe our GME system is under increasing stress and the projections for our health care workforce are of significant concern...There is growing concern that the United States is failing to adequately match medical training with our medical needs on a national level.”

The House and Senate headed to the holiday recess locked in a stalemate, each chamber preferring its plan to avert the 27.4 percent cut in Medicare physician reimbursement. However, the House eventually agreed to pass the Senate plan, which was signed into law by the President on December 23.

The two-month patch that was signed into law, averted the scheduled cut and imposed a freeze in payments through the end of February. A conference committee has been appointed to negotiate longer term solution prior to the end of February.

The Senate had originally blocked the two month fix, but the House had passed legislation that included a two year fix, which included cuts to the Prevention and Public Health Fund and reimbursement for evaluation and management services in the hospital outpatient setting as offsets. These offsets were rejected by the Senate.

**Congress passes SGR patch**

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