



THE CRD ASSOCIATES'

HEALTH POLICY REPORT

December 1, 2011

The Headlines:

- **Super Committee Fails; Sequestration Lies (Far) Ahead**
- **Research Round-Up: PCORI; CMMI; and More**
- **Congress Urged to Continue Workforce Training Programs**
- **Final Physician Fee Schedule Rule Released**
- **Tavenner Nominated to Replace Berwick at CMS**
- **Other Clinical Practice News**
- **Accountable Care Organizations Final Rule Released**

Super Committee Fails; Sequestration Lies (Far) Ahead

The Joint Select Committee on Deficit Reduction on November 21 announced that it had failed in its statutory mission to come up with a minimum of \$1.2 trillion in deficit reductions. As a result of this turn of events, an automatic sequestration process has been triggered that could

result in significant across-the-board cuts.

Under the provisions of the Budget Control Act of 2011, which included an increase in the debt limit, the failure of Congress to raise revenue or cut expenditures, or both, by these amounts leads to a harsh round of budget cuts on January 2, 2013,

impacting on defense and non-defense spending alike.

This result has very serious implications for programs of interest to SGIM members. In the education sphere, the health professions programs covered by Title VII of the Public Health Service Act, the National Health Service Corps, and other similar programs will all be subject to the cut, which is expected to equal about nine percent.

In the research area, the National Institutes of Health, the Agency for Healthcare Research and Quality, the Medical and Prosthetics Research line in the Department of Veterans Affairs and others will also be subject to the same reductions.

In the field of clinical practice, Medicaid is exempted from the cut, but Medicare will be reduced by two percent, with the caveat that the reduction cannot come from beneficiaries, only from providers. This raises the prospect of reductions in reimbursement rates, as well as cuts in Graduate Medical Education (particularly in Indirect Medical Education).

The reality of the harshness of these cuts (which would remain in effect for ten years) is beginning to sink in to members of Congress and proposals are now starting to circulate to lessen their impact. The defense establishment in particular has been promoting aggressively the idea of lessening the impact on military spending.

This creates a further threat to the kinds of programs mentioned above because the caveat is always that the total deficit reduction would not change – just the distribution. As a result, in a worst-case scenario, cuts to domestic spending could range up to the 18 percent level. Just to put specific numbers on that idea, NIH would be reduced from its current \$30 billion to \$24.6 billion. Training in Primary Care Medicine could be cut from \$39 million to \$32 million.

In the meantime, the FY12 appropriations process is facing yet another deadline. While three appropriations bills have been enacted, the Labor-HHS-Education bill that includes most programs of interest to SGIM members is continuing to operate under the terms of a continuing resolution (CR) that expires December 16. It is not clear yet if Congress will pass a single bill containing all nine remaining appropriations bills, a smaller bill

containing seven of the bills and leaving Labor-HHS-Education and one other bill for a year-long Continuing Resolution, or pass a short-term CR taking the unfunded programs into the New Year – kicking the can down the road yet again.

Research Round-Up: PCORI, CMMI, and More

- SGIM has led an effort, joined by four other research organizations, to advise the Scientific Management Review Board at the NIH that the Senate Appropriations Committee in its Report on the FY12 Appropriations bill, has indicated its support for SGIM's position that the creation of NCATS should not impact the current role of the CTSA's to support the full spectrum of translational research.
- The Research Subcommittee has chosen by consensus not to contact the Board of Governors of PCORI with regard to the decision to limit indirect payment rates to 40 percent. Subcommittee members felt that the amount, while below NIH rates, was above those

rates paid by some private payers, foundations, etc.

- Dr. Asaf Bitton has submitted a workshop proposal for the Annual Meeting to address the funding opportunities that may be available at the Innovation Center at CMS. The Center recently announced the availability of \$1.0 billion in research funding opportunities.

Congress Urged to Continue Workforce Training Programs

As House and Senate leaders attempt to resolve their differences over funding for health programs, SGIM and other organizations wrote to the Appropriations Committees, urging negotiators to restore full funding for health professions training. Noting that federal health professions and nursing education programs have demonstrated effectiveness in preparing the health care workforce to adapt and respond to the country's changing needs, the letter calls on Congress to make workforce training a priority. Earlier this year, a draft House bill was introduced that would terminate federal funding for primary care training, the Health Careers Opportunity Program (HCOP)

and scholarships for disadvantaged children.

Final Physician Fee Schedule Rule Released

CMS released the final physician fee schedule rule for calendar year 2012. SGIM submitted comments on the proposed rule this summer.

In its proposal, CMS has tasked the RUC with reviewing the entire family of evaluation and management codes. After nearly universal disapproval, CMS withdrew the request to the RUC. Comments opposing the request reasoned that a RUC review was not going to achieve CMS' goal of supporting primary care. CMS is going to continue to examine ways to bolster primary care and care coordination. CMS rejected paying for non-face-to-face services that have already been RUC valued, although it received many comments, including those from SGIM, asking that these services be paid.

CMS finalized the inclusion of a health risk assessment (HRA) as part of the annual wellness visit (AWV). To compensate for the added work of administering the HRA, the RVUs for the AWV were increased.

Tavener Nominated to Replace Berwick at CMS

The White House nominated Marilyn Tavener, CMS' Principal Deputy Administrator and Chief Operating Officer, to succeed Dr. Donald Berwick as CMS Administrator.

Berwick submitted his resignation, prior to the expiration of his recess appointment. Although he received strong support from many health groups, including from SGIM, Berwick never received a Senate confirmation hearing and Republicans pledged to block his confirmation because of his writings on overhauling America's health care system.

Tavener began her career as a nurse before working for the Hospital Corporation of America and serving as Virginia's Secretary of Health and Human Services. She will not face the opposition Berwick did, as she has already received the support of House Majority Leader Eric Cantor. Also, not being closely tied to the health care reform law will benefit Tavener in the confirmation process.

Other Clinical Practice News:

- Dr. John Goodson represented SGIM at ACP's Subspecialty Advisory Group on Socioeconomic Affairs (SAGSA).

- The super committee's failure ended the possibility of a permanent fix for the flawed sustainable growth rate (SGR) formula that determines Medicare physician payment rates. Without Congressional intervention, there will be 27.4 percent cut in reimbursement on January 1.
- CMMI launched the Health Care Innovation Challenge, which will award up to \$1 billion to innovative projects that test ways to deliver high quality care. It includes a workforce training component. More details can be found at <http://innovation.cms.gov/initiatives/innovation-challenge/index.html>.

ACO final rule released with significant modifications

In response to comments received on the proposed rule, CMS recently released the final rule for Accountable Care Organizations (ACOs). SGIM submitted comments on the proposed rule this spring.

Many of the modifications made are beneficial for primary care physicians. The proposed requirement requiring 50 percent of primary care doctors in an ACO has been relaxed. While it is no longer a condition of participation, the percentage of primary care physicians who are meaningful users will be reflected in the ACO's quality score.

The final rule also scaled back the quality measures reporting requirement, requiring ACOs to report on 33 quality measures rather than over 60 measures. In response to the many concerns about shared risk, CMS has created a track where ACOs will not have to share risk.

To address concerns that as proposed rural physicians would not be able to participate because of lack of capital, CMS will provide upfront infrastructure investment for those providers that will be recouped on the back end.

Other important clinical practice-related activities:

- SGIM wrote a letter to the super committee that focused on replacing the sustainable growth rate (SGR) formula in a

way that supports primary care. The recent MedPAC recommendation was referenced in that letter.

- SGIM is continuing to work as part of the AAFP Task Force on Primary Care to find both

immediate and long term primary care payment solutions.

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