THE CRD ASSOCIATES'

HEALTH POLICY REPORT

February 4, 2014

The Headlines:

- **FY2014 is Done; Can FY2015 Be Far Behind?**
- **What Does Congress *Really* Think About Research?**
- **The Clock's Ticking on SGR Repeal**

FY2014 is Done; Can FY2015 Be Far Behind?

As you know from the recent Special Report we wrote, Congress has completed its work on the FY2014 appropriations bills. For the first time in years, a regular appropriations bill covers every department and agency of the government and there are no agencies operating under a continuing resolution.

This circumstance is important because it means that agencies are not operating under two-year old funding levels. It also means that Congress has the opportunity to update instructions to agencies to reflect current conditions. While that could be used for good or for evil, on balance the bill contains some positive language and positive policy positions on issues that concern SGIM members.

As this is being written, it is actually a day after the President's FY2015 budget was supposed to be delivered to Capitol Hill. However, for the second year in a row, the budget will be late. While the administration will certainly be criticized for that (they

were last year when it was also late) the fact of the matter is that Congress was three and one half months late in passing the FY14 appropriations level, so a little additional time is warranted.

It is now expected that the Obama administration will send the FY2015 budget request to Congress on or about March 4, four weeks late. That transmission will start in motion a series of events that one can only hope will go a little more smoothly than recent years.

The two year budget deal that was struck in December has already set the bottom line on the total amount of funding to run the government (excluding entitlements) at $1.014 trillion. Having that bottom line established precludes the need to have the Budget Committees go through the process of establishing it now. In theory, that will allow the House and Senate Appropriations Committees to go through the process of allocating the bottom line number to each of the 12 subcommittees to produce their bills in an expedite manner.

SGIM is engaged in funding issues related to a variety of programs and agencies including NIH, AHRQ, HRSA, and the VA. With the prospect of having bills move at a more measured pace this year, we hope to have more opportunity to impact the outcome.

What Does Congress *Really* Think About Research?

SGIM has always played an active role in advocating for research funding for health services, whether it comes through AHRQ, or the NIH, or somewhere else.

And our friends on Capitol Hill always say the right things: "We support science." "NIH is the gold standard of research." But, does this reflect the reality of budgeting today?

You still hear people reference the "doubling of the NIH budget." But it is important to remember that the doubling occurred from 1998 to 2003. The four principal architects of the doubling were Senators Arlen Specter and Tom Harkin and Representatives David Obey and John Porter. Of those, one is deceased, two are long retired and one is retiring at the end of this year.

Since 2003, in constant dollars, the purchasing power of appropriations to NIH has decreased by just over 22 percent. The House subcommittee that funds AHRQ has twice tried to eliminate it. The competing pressures in our current zero-sum

game of budgeting have led to an era of flat to declining budgets.

The one exception to tight budgets has been PCORI, which was created in the ACA and is the one growth area in health services research. And, it is the one area of research that does not require annual appropriations from Congress as the funding is both authorized and appropriated in the ACA.

We appreciate Congress' verbal support for research very much. But, let's not be blinded by rhetoric that is not accompanied by funding. As the old saying goes, "Money talks…"

Udall Proposes to Re-frame GME, Boost Primary Care

In an effort to encourage primary care and medical practice in medically underserved communities, Senator Mark Udall (D-CO) has introduced legislation that would create new grant and incentive programs for medical schools while restructuring Medicare's graduate medical education (GME) program to better match medical needs.

Udall's bill creates a "Centers for Excellence in Primary Care" competitive grant program for 6-12 medical schools to attract students most likely to choose to establish their medical practices in rural and underserved populations for primary care. These Centers would develop innovative curricula that build skills in modern medical practice (such as 3-year medical school models, rural rotations, mentoring with rural physicians) and develop tracking systems to identify type and location of medical school graduates over five years.

The proposed measure also changes the allocation of Medicare GME to facilities (such as hospitals) that train medical residents based on newly created performance measures. These measures would incentivize training medical residents in modern medical practice, such as quality improvement, multidisciplinary teamwork, care coordination, health information technology, and factors relevant to training in primary care. The bill also calls for a GAO study that analyzes changes in medical workforce patterns as a result of these incentives, to determine if these incentives are producing more primary care physicians working in underserved areas.

The Udall bill calls for increased transparency through the reporting and publishing of information on how hospitals and other facilities annually spend both direct GME (e.g., resident

salaries and benefit) and Indirect GME (currently unaccounted for, but expected to compensate for resident supervision and Medicare/Medicaid patient beds).

Another section of the bill requires that 35 percent of the composition of RUC be comprised of primary care physicians.

Lastly, the measure creates a 6-year pilot program that would send GME funding support directly to primary care residencies to assure funding to these residencies and encourage training in community sites.

The Clock's Ticking on SGR Repeal

Congress has two months to act before its SGR bridge expires, dictating another cut in Medicare physician reimbursement. While there is bi-partisan, bi-cameral agreement to replace the SGR once and for all, no agreement has been reached on a potential offset.

The Congressional Budget Office (CBO) has scored SGR repeal at $116 billion. While there is bi-partisan legislation on the table, it demonstrates agreement on a Medicare payment policy, not an offset. Democrats continue to advance the Overseas Contingency Operations (OCO) fund, money that was not spent on the wars in Iraq and Afghanistan, as a potential offset, Republicans continue to decry this as a gimmick.

Given the difficulty of finding an agreeable offset, rumors are circulating about other short and long term patches. There is the potential that another 9-month fix could be passed, allowing Congress to address this issue during the lame duck session following the election. Some have circulated the idea of a 21-month fix. With a price tag of $50 billion, it would make more sense for Congress to attempt to find the balance needed for repeal. Others have argued for a 5 year period of stable payments at the conclusion of which Congress will be in a better position to implement a well-tested payment system.

Whichever option Congress chooses, the clock is ticking.

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