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HEALTH CARE REFORM UPDATE

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Leading the News

On April 10th President Obama released his proposed budget for the 2014 Fiscal Year. The budget includes \$370 billion in Medicare savings and provides \$800 million for the implementation of insurance exchanges under the Affordable Care Act (ACA). Also proposed are \$19 billion in Medicaid savings and over \$14 billion in pharmaceutical savings by 2023. About \$80 billion in discretionary funds are allocated to the Department of Health and Human Services (HHS) in 2014, an increase of \$3.9 billion from last year. Overall, proposals achieve an estimated \$400 billion in total health savings from 2014-2023. The HHS budget justification document can be found [here](#). A Mintz Levin/ML Strategies detailed summary of the HHS budget is available [here](#).

Also of note, the President has requested \$350 million for the IRS to hire 1,000 new workers to implement the ACA. The Centers for Medicare and Medicaid Services (CMS) portion of the budget includes \$284 billion for Medicaid expansion grants, and the Office of the Inspector General (OIG) includes \$69 million for new oversight efforts. The CMS justification of budget estimates is available [here](#). The Office of Inspector General (OIG) justification can be read [here](#).

Implementation of the Affordable Care Act (ACA)

On April 5th Representatives Joe Pitts (R-PA) and Michael Burgess (R-TX) released a list of suggestions for improving the ACA. In order to ensure consumer freedom from federal control, the congressmen suggest that a person should be able to choose a plan that does not meet ACA standards if premiums rise more than 10% in his or her state. Other ideas include allowing states to collaborate through coverage compacts and providing all Americans with coverage options similar to those in the Federal Employee Health Benefit Program (FEHBP). The proposals to improve the ACA can be found [here](#).

On April 8th HHS awarded grants to five states for the development of insurance exchanges under the ACA. The grants totaled over \$275 million and were given to Hawaii (\$128.1 million), Illinois (\$115.8 million), Arkansas (\$16.5 million), Rhode Island (\$9.5 million), and New Hampshire (\$5.4 million). An updated map detailing the grants provided to each state can be viewed [here](#).

On April 8th the Indiana Senate rejected, along party lines, a proposal to expand Medicaid under the ACA. Democrats said the expansion was necessary to provide coverage to 400,000 people and create 30,000 jobs in Indiana, but Republicans want to use federal funding to support low-income residents through the state's current Healthy Indiana Plan. Details on the vote and comments from legislators are available [here](#).

On April 8th several consumer groups wrote to HHS Secretary Sebelius and expressed concern about a policy clarification regarding out-of-pocket cost limits under the ACA. While the ACA limits out-of-pocket costs to \$6,250 every year, an FAQ released in February indicates that plans which use multiple providers may implement separate out-of-pocket limits, meaning consumers could be paying up to \$12,500 each year. The advocacy groups say the full burden should not be placed on the patient. The actual letter is available [here](#).

On April 9th CMS announced that \$54 million would be provided for the funding of navigators who will be tasked with providing accurate and impartial information to consumers shopping on the Federally-facilitated and State Partnership Marketplaces. The announcement is available [here](#).

On April 9th Ohio state legislators rejected a budget proposal from Governor John Kasich (R) that would have expanded to 275,000 Ohioans. Republicans in the House of Representatives said they require additional information on Medicaid expansion, but they indicated that an agreement is still possible. An article on Ohio's expansion deliberations is available [here](#).

On April 10th Mississippi Governor Phil Bryant (R) commented on the decision by the Obama administration to delay cuts to Disproportionate Share Hospitals (DSHs) by one year. Gov. Bryant said cuts to DSH should not affect budgets in states that do not expand Medicaid. The governor also said that the DSH decision should provide more time for his state to make a reasonable choice about changes to its Medicaid program. The announcement is available [here](#).

On April 11th the Arkansas House of Representatives approved a plan to use federal Medicaid expansion dollars to buy private insurance for new beneficiaries. The plan passed the House 62-37, but 75 total votes for a supermajority is needed to fund the plan. The private insurance model represents a compromise between Governor Mike Beebe (D) and Republican legislators. Details on the plan's progress are available [here](#).

On April 11th the Employee Benefit Research Institute (EBRI) released a study on the impact of the adult-dependent mandate of the ACA that allows young adults under 26 to be part of parental health plans. The EBRI notes that, in a study sample of 700 young adults who obtained health care through the adult-dependent mandate, services for mental health, substance abuse, and pregnancy accounted for 60% of spending. These same services accounted for just one-third of spending among a group of young adults that already had coverage prior to the mandate. The study can be found [here](#).

Other HHS and Federal Regulatory Initiatives

On April 8th the Centers for Disease Control and Prevention (CDC) announced an extensive study to determine why people who work in health care settings are more likely to develop asthma. The CDC

says it will interview 15,000 workers in New York to understand asthma risk factors in the health care workplace. The study design is available [here](#).

On April 9th CDC released a study indicating that people younger than 65 are twice as likely to skip medications as older Americans. About 13% of people younger than 65 skipped medications as a way to save money, while just 6% of people older than 65 said they act similarly. Lower-income Americans were also noted as less likely to take medications as directed. An article on the study can be read [here](#).

On April 11th CMS officials said they are investigating a situation in Missouri in which a gay man was arrested for refusing the leave the hospital room of his partner. Under regulations issued during President Obama's first term, hospitals receiving Medicare or Medicaid funds must allow patients to choose their visitors, regardless of sexual orientation. Details on the incident are available [here](#).

Other Congressional and State Initiatives

On April 5th the Kansas House of Representatives and Senate passed a measure that defines life as beginning at fertilization. Governor Sam Brownback (R) is expected to sign the bill, although he has received pressure from women's reproductive rights groups to issue a veto. The legislation prohibits abortions based on gender selection and bans tax credits for abortions. An article on the bill can be read [here](#).

On April 8th Senator Chuck Grassley (R-IA) sent a letter to Height Securities, the first company to publish news on April 1st about CMS' decision to increase Medicare Advantage (MA) rates. Sen. Grassley said the leak of information by CMS led to intense stock trading before the MA rate decision was made public, and demanded that Height Securities release its source of the information. The letter can be read [here](#).

On April 8th the National Association of Medicaid Directors (NAMD) wrote a letter to Office of Management and Budget (OMB) Acting Director Jeffrey Zients with concerns about a proposed rule to expand the *Fair Labor Standards Act* to home health aides. NAMD says implementation of the rule could have negative consequences on consumer choice and the development of person-centered care models. NAMD says OMB should take a closer look at the impact of the proposal. The NAMD letter can be read [here](#).

On April 8th acting secretary Beverly Mackereth for the Pennsylvania Department of Public Welfare, said a meeting on April 2nd between Governor Tom Corbett (R) and Secretary Sebelius to discuss Medicaid expansion was very effective. Pennsylvania is still waiting to hear if it is eligible for 100% matching funds and if children in the state's Children's Health Insurance Program (CHIP) will need to go on Medicaid. An article on Pennsylvania's discussions with HHS is available [here](#).

On April 9th House Majority Leader Eric Cantor (R-VA) introduced Marilyn Tavenner before her nomination hearing with the Senate Finance Committee to be administrator of CMS. The congressman offered a strong recommendation for Tavenner, and he said she brings experience in the health care, private, and government sectors. A recording of the hearing can be viewed [here](#).

On April 10th House Energy and Commerce Committee Chairman Fred Upton (R-MI) announced that Representative Cathy McMorris Rogers (R-WA) will replace Representative Ralph Hall (R-TX) on the

health subcommittee. Rep. Hall will move to the Energy and Power subcommittee. The announcement is available [here](#).

On April 11th four Democrats on the House Energy and Commerce Committee sent a letter to Oversight Subcommittee Chairman Tim Murphy (R-PA) that requested the attendance of the president of the International Academy of Compounding Pharmacists (IACP) at a hearing on the meningitis outbreak caused by the New England Compounding Center (NECC). The hearing will address the Food and Drug Administration's role in the outbreak, and Commissioner Margaret Hamburg has been invited to attend. The letter to Rep. Murphy is available [here](#).

On April 11th Representative Rosa DeLauro (D-CT) issued comments on an OIG report that finds 85% of hospitals outsource the production of compounded sterile preparations (CSPs). Rep. DeLauro suggests that more oversight is needed to prevent future contaminations from compounding pharmacies. The comments from Rep. DeLauro are available [here](#), and the OIG report can be accessed [here](#).

On April 11th House Energy and Commerce members Marsha Blackburn (R-TN) and Renee Ellmers (R-NC) released recommendations on how to improve Medicare. Proposals include repealing the sustainable growth rate (SGR), unifying Part A & B deductibles, and means testing for wealthy seniors. The proposals are available [here](#).

On April 12th a letter from members of the House Energy and Commerce and Appropriations committees to the National Institutes of Health (NIH) expressed concern over the use of \$45 million on communications by the National Cancer Institute (NCI) in Fiscal Year 2012. The letter notes that the Food and Drug Administration spent about half that amount on its communications efforts. The letter to NIH can be read [here](#).

On April 12th the Virginia Board of Health approved new regulations that define an abortion clinic as a hospital if it performs more than five abortions a month. The 20 abortion providers in the state suggest that the distinction will bring increased costs, but proponents of the rule say it is designed to improve women's health. Details on the rule are available [here](#).

Other Health Care News

On April 1st five health care stakeholders – America's Health Insurance Plans (AHIP), Ascension Health, Families USA, the National Coalition of Health Care, and the Pacific Business Group on Health – released five recommendations to improve the American health care system. The groups say that a fee-for-service model should be eliminated, and they say states should share in any savings that result from a reduction in overall costs. The full plan can be found [here](#).

On April 8th Health Care for America Now (HCAN) released profits since 2003 for the top 11 global pharmaceutical companies. Over the past 10 years, these pharmaceutical companies have made \$711 billion in profits. HCAN says the companies were able to earn profits by overcharging consumers. A list of the earnings can be viewed [here](#). The HCAN news release can be read [here](#).

On April 8th the American Association of Neurological Surgeons (AANS) and the Congress of Neurological Surgeons (CNS) sent a letter to CMS that responded to the agency's request for

information on how it can improve its systems of clinical data reporting. The joint letter from AANS and CNS can be [read](#).

On April 11th the American College of Physicians released a policy paper on how doctors should approach online and social media. Included in the report are the potential benefits and pitfalls of various activities ranging from email, text, social media, and blogging. The paper suggests that doctors should be wary of engaging with patients online and that doctors should make their online accounts as secure as possible. The paper can be viewed [here](#).

On April 11th the New England Journal of Medicine (NEJM) published a report on the H7N9 strain of the bird flu that has caused 10 deaths in China. The report analyzes three of the deaths and notes that the illness is primarily caused by contact with poultry. The NEJM report can be read [here](#). A World Health Organization (WHO) update on the number of cases is available [here](#).

On April 11th the Robert Wood Johnson Foundation and the State Health Access Data Assistance Center (SHADAC) released a study that indicated the number of Americans receiving insurance from their employer decreased from 70% to 60% between 2000 and 2010. Over the 10-year study period, premium costs for individuals doubled and the cost of family premiums rose 125%. The study can be found [here](#).

Hearings and Mark-Ups Scheduled

House

On April 16th the House Energy and Commerce Subcommittee on Oversight and Investigations will be holding a hearing titled “A Continuing Investigation into the Fungal Meningitis Outbreak and Whether It Could Have Been Prevented.” More information is available [here](#).

On April 17th the House Small Business Committee will hold a hearing entitled “The Health Care Law: Implementation and Small Businesses.” More information can be found [here](#).

On April 18th the House Energy and Commerce Committee will conduct a hearing entitled “A Financial Review of the Department of Health and Human Services and Its FY 2014 Budget.” More information is available [here](#).