



Joseph P. Hammang, PhD, [JPHammang@mlstrategies.com](mailto:JPHammang@mlstrategies.com)  
Alexander Hecht, [AHecht@mlstrategies.com](mailto:AHecht@mlstrategies.com)  
Andrew Shin, [AJShin@mlstrategies.com](mailto:AJShin@mlstrategies.com)  
Abby Matousek, [AMatousek@mlstrategies.com](mailto:AMatousek@mlstrategies.com)

FOLLOW US ON TWITTER: [@MLStrategies](https://twitter.com/MLStrategies)

**ML Strategies, LLC**  
701 Pennsylvania Avenue, N.W.  
Washington, DC 20004 USA  
202 434 7300  
202 434 7400 fax  
[www.mlstrategies.com](http://www.mlstrategies.com)

February 2, 2015

## Health Care Update

**President Obama Releases FY2016 Budget Proposal:** Today, President Obama released his \$4 trillion budget proposal, which includes over \$1 trillion in health care-related funding. Building on his State of the Union address, the President's budget included the following top level funding requests for health care priorities.

**Medicare:** The budget outlines approximately \$350 billion in Medicare savings over the next ten years to be gained by cuts to provider reimbursement and an additional \$84 billion in structural reforms. While a large amount of these savings comes from extending Medicaid drug rebates for Part D for low-income enrollees, other changes include adjusting payments for post-acute providers, reducing Medicare coverage of bad debt, and increasing income-related premiums under Parts B and D.

**Medicaid and CHIP:** The President's budget funds ongoing implementation of the ACA, including preserving coverage through CHIP for children with working parents not eligible for Medicaid. The proposal also provides states with the flexibility to streamline eligibility determinations for children in Medicaid and CHIP and to maintain Medicaid coverage for adults by providing one-year of continuous eligibility.

**Agency Funding:** Under the proposal, the National Institutes of Health (NIH) would get a 5.5 percent increase from 2015 levels for research and development funding, including \$31.3 billion to support biomedical research. According to the budget, this would allow NIH to fund approximately 10,000 new grants. The budget also increases funding for the Office of the National Coordinator for Health IT (ONC) by an additional \$30 billion, bringing the agency's total funding to \$91.8 million.

**Precision Medicine Initiative:** The budget contains \$215 million in funding for the President's Precision Medicine Initiative, which seeks to translate the power of genetics research to accelerate development of cures. This funding would allow the NIH to develop a national database to share genetic data, evaluate and fast track new innovations, build out information sharing infrastructure, and increase cancer research.

With the President's budget facing a GOP majority in both the Senate and the House for the first time in his presidency, it is expected to begin a debate about federal spending and entitlement priorities. Notably, as discussed in ML Strategies [114<sup>th</sup> Congress Outlook piece](#), the budget—and the reconciliation process—could be a venue for a larger battle over repealing and replacing portions of the ACA.

### Implementation of the Affordable Care Act

**HHS: More than 9 Million ACA Enrollees:** HHS [stated](#) that 9.5 million people selected plans on the Federal and State exchanges nationwide in the first two months of open enrollment.

**HealthCare.gov Enhanced Privacy Protections:** In light of concerns raised about the privacy of third party tools on the HealthCare.gov website, CMS is [making changes](#) to the healthcare enrollment website to prevent information sharing, including adding a layer of encryption that reduces the information available to the third party tools.

### Other Federal Regulatory Initiatives

**HHS Working To Help Consumers Understand Taxes and Health Care:** HHS Secretary Sylvia M. Burwell announced that HHS is [collaborating](#) with a wide range of non-profit organizations and some of the nation's largest tax preparers to provide resources, advice, and assistance to tax filers across the country.

**HHS Seeks to Move Away from Fee-For-Service:** In a [blog post](#), Secretary Burwell called for 30% of all Medicare provider payments to be in alternative payment models that are tied to how well providers care for their patients by 2016 and 50% by 2018.

**President Releases 2016 Budget with Funding to Reduce Antibiotic Resistance:** President Obama's proposed fiscal 2016 budget would nearly double federal funding aimed at curbing antibiotic resistance to \$1.2 billion, according to a [fact sheet](#) released by the White House.

**CBO Estimates ACA Coverage Costs:** The Congressional Budget Office (CBO) [estimated](#) that ACA's coverage provisions will cost the government \$76 billion in 2015 and \$1.35 trillion from 2016 to 2025.

**CMS Rulemaking to Update Meaningful Use Program:** CMS [announced](#) their intent to engage in a rulemaking to update the Medicare and Medicaid Electronic Health Record (EHR) Incentive Programs beginning in 2015. Proposals being considered include shortening the 2015 reporting period to 90 days, aligning the hospital reporting period with the calendar year, and other means of reducing complexity and lowering providers' reporting burden.

**HHS, FTC Signal Moves to Digital Health Mobile App Developers:** The Federal Trade Commission (FTC) warned that HIPAA rules for health privacy were outdated in light of the new consumer-facing medical apps outlined in the Internet of Things report released [January 27th](#). Coinciding with the FTC's report is the promise of new HIPAA guidance for mobile health companies. HHS Secretary Burwell, in a [letter](#) released last week, promised Representatives Tom Marino (R-PA) and Peter DeFazio (D-OR) that HHS would work with industry to ensure that mobile app developers understand their obligations under health privacy rules dictated by HIPAA.

**FDA Appoints Head of Tobacco, Medical Products:** The Food and Drug Administration (FDA) [announced](#) that Dr. Robert Califf will head the agency's Center for Drug Evaluation and Research, Center for Biologics Evaluation and Research, Center for Devices and Radiological Health and Center for Tobacco Products. Dr. Califf was previously Duke University's Vice Chancellor of Clinical and Translational Research.

**ONC Releases Interoperability Road Map:** ONC this morning issued its 10-year interoperability [road map](#) to help improve the health care system by promoting the safe and secure exchange of health information. The report calls for establishing a coordinated governance framework, improving technical standards and implementation guidance for sharing and using common clinical data sets, enhancing incentives for sharing information with those standards, and clarifying privacy and security requirements of interoperability.

**AHRQ to study health IT safety:** The Agency for Healthcare Research and Quality (AHRQ) [announced](#) that research into the safety of health IT systems is one of its priorities this fiscal year. AHRQ will fund work "related to the design, implementation, usability, and safe use of health IT by all users, including patients."

### Congressional Initiatives

**GOP Inquiry on Long Term Care:** House Energy and Commerce Chairman Fred Upton (R-MI) and Senate Finance Chairman Orrin Hatch (R-UT) [wrote](#) to CMS Administrator Tavenner requesting CMS provide Congress with an update on what the agency is doing to help states be in compliance with federal laws that seek to ensure that consumers do not "artificially impoverish themselves" to receive long-term services and supports.

**NIH Funding Bill Introduced:** Representatives Rosa DeLauro (D-CT), Brian Higgins (D-NY), and Peter King (R-NY),

introduced the Accelerating Biomedical Research [Act](#). The bill would fund the NIH at a level consistent with inflation since 2003. Funding would increase by 10 percent for the first two years and then about 6 percent annually through 2021.

**Lawmakers Introduce Bills to Address Children With Complex Medical Conditions:** Representatives Joe Barton (R-TX), Kathy Castor (D-FL), Anna Eshoo (D-CA) and Jaime Herrera Beutler (R-WA), unveiled the Advancing Care for Exceptional Kids Act of 2015 (ACE Kids Act), [H.R. 546](#). A Senate companion bill was introduced by Senators Charles Grassley (R-IA) and Michael Bennet (D-CO). The measure would help coordinate care to ensure optimal outcomes for children with complex medical conditions on Medicaid, while helping to contain costs.

**House E&C Examines Public Health Bills:** The House Energy and Commerce Subcommittee on Health [met](#) to consider six public health bills, including: The Veteran Emergency Medical Technician Support Act ([H.R. 235](#)); the National All Schedules Prescription Electronic Reporting Reauthorization [Act](#); the Trauma Systems and Regionalization of Emergency Care Reauthorization [Act](#); the Access to Life-Saving Trauma Care for All Americans [Act](#); the Ensuring Patient Access and Effective Drug Enforcement [Act](#); and the Improving Regulatory Transparency for New Medical Therapies Act ([H.R. 4299](#)).

**Senators Want Health Care Tax Credit Extension:** Senators Sherrod Brown (D-OH) and Rob Portman (R-OH) introduced an amendment to a veterans' jobs bill extending a health care tax credit for workers affected by companies going bankrupt or moving overseas. The proposed amendment to the Hire More Heroes [Act](#) would extend the health coverage tax credit through December 31, 2016, and make it retroactive to Jan 1, 2014. The HCTC subsidizes private health insurance for salaried retirees who lost employer-sponsored coverage for trade-related reasons.

**Senate HELP Committee Reauthorizes the Older Americans Act:** The Senate HELP committee unanimously approved reauthorizing the [legislation](#) that provides social and nutrition services for nearly 12 million seniors through programs like Meals on Wheels. The bill also includes elder abuse protections and screening and authorizes funding for senior centers, senior transportation programs and ombudsmen programs at long-term-care facilities.

**HELP Paper on FDA, NIH Reform:** Chairman Lamar Alexander (R-TN) and Senator Richard Burr (R-SC) released a [paper](#) on the Senate HELP Committee's plans to reform the NIH and FDA, previewing a parallel effort to the House Energy and Commerce Committee's 21<sup>st</sup> Century Cures initiative.

**House Republicans Write Burwell on *King*:** House Energy and Commerce Republicans [wrote](#) to Secretary Burwell asking for information on HHS's contingency plans for the *King v. Burwell* decision.

**Democrats File *King* Amicus Brief:** Current and former Democratic members of Congress filed an [amicus brief](#) with the Supreme Court on the *King v. Burwell* case in support of preserving the tax credits.

#### Other Health Care News

**ATA Presses Committee on Cures Draft:** The American Telemedicine Association (ATA) sent a [letter](#) to the House Energy and Commerce Committee (E&C) regarding telemedicine provisions contained in the 21<sup>st</sup> Century Cures Discussion Draft. Among other things, the letter expressed concerns that the draft should not have given CMS authority to determine what telemedicine services Medicare should reimburse in the future.

#### Upcoming Congressional Hearings

##### *Senate*

On February 4<sup>th</sup>, the Senate Finance Committee will hold a [hearing](#) on the HHS Budget with Secretary Burwell.

\* \* \*

Boston · Washington [www.mlstrategies.com](http://www.mlstrategies.com)