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HEALTH CARE REFORM UPDATE

February 19, 2013

Leading the News

On February 12th, in his State of the Union (SOTU) Address, President Obama said he is willing to make some reforms to Medicare in order to make the program sustainable in the long-term. The President said the Affordable Care Act (ACA) is already cutting costs, and he proposed reducing subsidies to drug companies, as well as asking wealthier Medicare beneficiaries to pay more on a “sliding scale,” and changing Medicare payment methods. The actual text of the President’s speech can be found [here](#).

On February 13th Democrats on the House Appropriations Committee detailed the negative impact of sequestration across several policy areas, including health care. The report from the Committee’s minority says that \$1.6 billion in funding would be cut from the budget of the National Institutes of Health (NIH), \$375 million would be cut from the National Science Foundation (NSF), and a \$120 million cut from community health centers would result in 900,000 fewer patients being served. The report can be read [here](#).

On February 15th a majority of the Democratic caucus signed a letter urging President Obama to eliminate any fiscal proposal or entitlement reform that would cut Medicare, Medicaid or Social Security benefits. Led by the Congressional Progressive Caucus, the letter specifically rejects an increase in the Medicare eligibility age and “chained Consumer Price Index (CPI),” a proposal that would reduce Social Security benefits by revising the way they are calculated. The actual letter can be viewed [here](#).

Implementation of the Affordable Care Act

On February 11th Missouri lawmakers expressed concern over the ACA’s Medicaid expansion because of the potential negative impact on the state’s credit rating. Currently, Missouri enjoys a AAA credit rating, although the rating agency Moody’s has cast a negative outlook on the state because of a closer link to the federal government through Medicaid. About 35% of the Missouri’s \$24 billion budget is

expected to be spent on Medicaid this year. An article on the impact of Medicaid expansion on Missouri's debt is available [here](#).

On February 12th North Carolina Governor Pat McCrory (R) released a statement that said his state would reject Medicaid expansion and allow the federal government to implement an insurance exchange. Gov. McCrory said the current Medicaid system is broken and not ready to expand without a large risk to taxpayers. He said a lack of preparation means North Carolina is not ready to run its own exchange. The governor's statement can be viewed [here](#).

On February 12th the New Hampshire Joint Health Care Reform Oversight Committee approved, by a 4-2 vote, a plan to establish a partnership exchange in the state. Governor Maggie Hassan (D) says she wants to pursue a partnership health insurance exchange with the federal government in order to maintain some state control. Some Republicans expressed concern over the unknown costs and benefits. An article on New Hampshire's proposed exchange is available [here](#). The letter from Governor Hassan to Department of Health and Human Services (HHS) Secretary Sebelius is available [here](#).

On February 13th HHS Secretary Sebelius announced that Illinois received conditional approval to operate a state partnership exchange as part of the ACA. Illinois will work with the federal government to create an exchange that will be ready in October 2013. The release from HHS, with a statement from Illinois Governor Pat Quinn (D), is available [here](#).

On February 13th Wisconsin Governor Scott Walker (R) rejected full Medicaid expansion in his state under the ACA. Instead, the governor said he would expand Medicaid, as part of the state's BadgerCare program, by 224,600 residents, 28,100 less than the federal program would have covered. More information on the Gov. Walker's decision can be found [here](#). A press release from the governor's office can be found [here](#).

On February 13th a group of leading conservatives across the United States signed a letter urging Congress to use the continuing resolution (CR) which expires on March 27th to implement sequester savings and defund the ACA. The letter says the appropriations process can be used to cripple federally-backed exchanges and Medicaid expansion. The letter is available [here](#).

On February 14th Ohio Insurance Commissioner and Lieutenant Governor Mary Taylor (R) confirmed to Secretary Sebelius that Ohio would allow the federal government to run its health insurance exchange. Lt. Gov. Taylor indicated that Ohio will retain control over Medicaid eligibility determinations and continue to exercise regulatory authority over insurance and oversight of Qualified Health Plans (QHPS). An article on Ohio's partnership decision can be read [here](#).

On February 15th Florida Governor Rick Scott (R) missed a deadline to apply for a partnership health insurance exchange with the federal government. In spite of the Supreme Court decision to uphold the ACA, the governor said he still did not have enough information to understand the impacts of a partnership exchange on the state. An article on Florida's failure to meet the partnership deadline is available [here](#).

On February 15th Tennessee Governor Bill Haslam (R) said his state will not pursue a partnership exchange with the federal government. Gov. Haslam said a partnership exchange included an aggressive federal timeline and a lack of state flexibility. Details on the governor's decision are available [here](#).

On February 15th New Jersey Governor Chris Christie (R) gave formal notice to the HHS that New Jersey is opting to put in place a federally administered Exchange for Plan Year 2014, because it is the most responsible choice for the state. Gov. Christie explained his decision in a letter, saying an exchange wouldn't have been an "efficient" or "effective" solution for New Jersey. The press release from the governor's office can be viewed [here](#). The actual letter is available [here](#).

Other HHS and Federal Regulatory Initiatives

On February 11th the Department of Veterans Affairs (VA) announced that it has hired over 1,000 mental health clinical providers and 200 administrative support staff in an effort to strengthen the mental health care available to veterans. The hiring is part of an Executive Order from President Obama to hire 1,900 mental staff at VA by June of 30, 2013. The announcement from Secretary Eric Shinseki on current progress toward the June 2013 goal can be found [here](#).

On February 11th HHS and the Department of Justice (DOJ) released the annual Health Care Fraud and Abuse Control Program (HCFAC) report for Fiscal Year 2012. DOJ opened over 1,100 new health care fraud investigations and convicted 826 defendants in the last year. For every dollar invested in HCFAC, \$7.90 was returned to the government, a \$2.50 increase in the average return since 1997. The full report on DOJ strategies and recoveries is available [here](#).

On February 14th the Senate Appropriations Committee released a letter from HHS Secretary Sebelius to Chairwoman Barbara Mikulski (D-MD) highlighted the impacts of sequestration on HHS. The letter notes that social services, research and testing, and health care oversight would all be negatively impacted if the spending cuts go into effect. The letter from Secretary Sebelius can be found [here](#).

On February 15th the Centers for Medicare and Medicaid Services (CMS) proposed payment and policy updates for Medicare health and drug plans in 2014. The proposals would implement the ACA's medical loss ratio requirement into Medicare Part C and D and offer lower co-payments and deductibles for beneficiaries on Medicare Part D in 2014 than in 2013. The release from CMS can be read [here](#).

On February 15th Secretary Sebelius announced that the Strong Start for Mothers and Newborns awards had been given to 27 recipients. The program will use \$41.4 million to address long-term health problems among pregnant women and newborns who are Medicaid beneficiaries or enrolled in the Children's Health Insurance Program (CHIP). The release from HHS is available [here](#). More information on the awards can be found [here](#).

Other Congressional and State Initiatives

On February 8th House Speaker John Boehner (R-OH) and Senate Minority Leader Mitch McConnell (R-KY) made their appointments to the Long-Term Care Commission. The Commission was created as a part of the fiscal cliff deal at the end of 2012, in lieu of the CLASS Act insurance program. Senate Majority Leader Harry Reid (D-NV) and House Minority Leader Nancy Pelosi (D-CA) have already

made their Commission selections. The appointments made by Boehner and McConnell can be viewed [here](#). The selections of Reid and Pelosi are available [here](#).

On February 11th Representative Tammy Duckworth (D-WI) sent a letter to Postmaster General Patrick Donahoe urging for the continued delivery of prescription drugs on Saturdays. The letter says that many seniors and disabled persons could suffer from delayed delivery of their medications. The U.S. Postal Service has proposed a new five-day-per-week delivery schedule. The letter, signed by 88 House members, can be read [here](#).

On February 11th the Congressional Budget Office (CBO) released a report highlighting how the federal government spent more than \$588 billion on 10 programs and tax credits for low-income Americans in 2012. Medicaid accounted for more than 40% of this spending, followed by the Supplemental Nutrition Assistance Program (SNAP). The full CBO report is available [here](#).

On February 13th House Energy and Commerce Ranking Member Henry Waxman (D-CA) and subcommittee ranking members sent a letter to Chairman Fred Upton (R-MI) urging the Energy and Commerce Committee to hold hearings on the potential sequestration spending cuts. The letter notes that a sequester would reduce FDA funding, mental health care, medical research, and support for AIDS patients. The letter to Chairman Upton can be found [here](#).

On February 14th House Energy and Commerce Committee Republicans sent a letter to Secretary Sebelius asking about the applicability of the Health Insurance Portability and Accountability Act (HIPAA) and the National Instant Criminal Background Check System (NICS). Individuals who have been involuntarily committed to a mental health facility are not allowed to possess a firearm, but HIPAA has made some states hesitant to provide this information to the NICS. The letter to Secretary Sebelius is available [here](#).

Other Health Care News

On February 11th Gallup released a poll noting that the uninsured rate among young adults in America has reached its lowest level since measurements began in 2008. In the fourth quarter of 2012, 22.7% of Americans aged 18 to 25 reported having no health insurance, down from 24.5% in the first quarter of 2012. Full results of the poll can be viewed [here](#).

On February 11th the journal *Pediatrics* released data on birth rates in the United States in 2011. The birth rate reached the lowest ever reported, 63.2 births per 1000 women, in 2011, and the teenage birth rate also reached the historic low of 31.3 births per 1000 women. The rate increased for women 35 to 44 years old. The report can be is available [here](#).

On February 12th the U.S. District Court of Arizona overruled an Arizona state law that would have blocked funding for Planned Parenthood. Judge Neal Wake said the law violated the freedom of choice provision in the Medicaid Act, and he said the Arizona law inappropriately disqualified a qualified provider and limited the choice available to Medicaid beneficiaries. The ruling is available [here](#).

On February 13th the Institute of Medicine (IOM) released a report on the impact of falsified and substandard medicines. The IOM said these medicines have drastic economic and public health impacts, and the Institute calls for stricter international regulations. The report can be accessed [here](#).

On February 14th researchers from MIT, Cornell, and Vanderbilt released a report analyzing the effectiveness of hospitals when caring for emergency patients. The study found that hospitals that spend more money and use the latest technology to care for a patient are better at keeping the patient alive. The study is available [here](#).

Hearings and Mark-Ups Scheduled

Both the Senate and the House of Representatives are in recess until February 25, 2013.