

CQ Transcript

November 20, 2006

PROMO:

MIDTERM ELECTIONS: Democrats win control of both House and Senate, which will likely reshape Congress' health care agenda for the 110th Congress as well as the remaining days of the lame duck session.

LAME DUCK OUTLOOK: Prospects for action uncertain on Medicare physician payment, health care information technology and other pending matters.

MEDICAID: Commission recommends a series of changes to federal-state health insurance program.

SCHIP: Several states face funding shortfalls in fiscal 2007 unless Congress intervenes.

INTRO: Democrats' victory in the mid-term November elections is all but certain to change the focus of health care legislation in the 110th Congress and well as have an impact on the lame duck session set to resume in December. Physicians continue to lobby Capitol Hill lawmakers to stop an impending Medicare pay cut Jan. 1 while other health care issues, such as legislation to increase the use of health care information technology and the fiscal 2007 Labor-HHS spending bill, may also surface when Congress returns in December. Lawmakers are also examining possible action on shortfalls in some state's fiscal 2007 allotments for the State Children's Health Insurance Program while a panel appointed by the Bush Administration has recommended a series of steps to overhaul Medicaid.

MIDTERM ELECTIONS

Question 1: In the November midterm elections Democrats won control of both the House and Senate. How will that victory impact health care?

Answer: Democrats have planned an ambitious and wide-ranging agenda on health will likely change the focus of health care on Capitol Hill. Democrats in both chambers have said they want to give Medicare the power to negotiate drug prices for all beneficiaries. In the House, incoming speaker Nancy Pelosi, D-Calif., has said she wants her chamber to pass that negotiating authority language within the first 100 hours of the new Congress when it convenes in January. Several Democrats have also said that they want to reexamine Medicare payments to HMOs, and Democrats have pledged to strengthen oversight of the Food and Drug Administration and drug safety issues. Democrats have also said they hope to use their majority to lift current federal spending curbs on stem cell research.

Question 2: How do you think these initiatives will play out?

Answer: Many of them will be met with strong opposition by industry groups. For example, the Pharmaceutical Research and Manufacturers of America has warned Congress to carefully consider the impact of giving the Department of Health and Human Services the power to negotiate drug prices, and say that robust negotiation is already ongoing between prescription

drug plans and pharmaceutical manufacturers. Insurers contend that there is widespread support both in Congress and among beneficiaries for managed care plans in Medicare, so reducing those reimbursements would have negative repercussions for lawmakers who take that step. But many Democrats say the plans are overpaid and using that money could help fund other changes to the benefit that could help beneficiaries, such as closing the coverage gap that exists in some plans.

Question 3: How will the White House react to these proposals?

Answer: I suspect that President Bush will veto any legislation that comes to his desk that would interfere with health care initiatives that he has supported. For example, Bush is likely to veto a bill that would give Medicare the power to negotiate drug prices for beneficiaries or legislation that would expand current federal funding levels for stem cell research. But also expect Republicans to prevent some of the Democrats' bills from reaching the president to help Bush from having to take that step. While Democrats' margin of victory in the House likely means that they will succeed in their efforts to pass the party's health care priorities, in the Senate Democrats hold only a 51-49 margin, and 60 votes are needed to stop potential filibusters.

LAME DUCK OUTLOOK

Question 4: The physician payment fix is one of several health care issues that have yet to be resolved this year. What's new there?

Answer: Physicians continue to press lawmakers to reverse a 5 percent scheduled cut in Medicare physician payments set to go into effect Jan. 1 but it's extremely unclear if Congress will take action before adjourning for the year. There is a lack of consensus on how long and how large of a payment fix is needed and where the money would come from to finance such a change. The American Medical Association is lobbying hard to get Congress to act before adjourning for the year. Separately, AARP has said that any Medicare physician pay increases should be tied to a requirement that physicians report on a set of quality measures, so that beneficiaries get more for their money. Beneficiaries' Medicare Part B premiums will increase if physician payments increase.

Question 5: What other health-related issues may be resolved with the "lame duck" session?

Answer: Negotiators have yet to reach a deal on legislation that is aimed to increase the use of health care information technology or on a fiscal 2007 spending bill to fund the Department of Labor and Health and Human Services. The nomination of Andrew von Eschenbach to head the FDA is still pending, but prospects worsened for action late last week when Senate Finance Committee Chairman Charles E. Grassley, R-Iowa, added his hold to the nomination, saying he was "extremely disturbed" by what he described as von Eschenbach's failure to comply with Finance panel subpoenas over the last six months. Sen. Jim DeMint, R-S.C., has also placed a hold on the nomination due to his objection to the FDA's refusal to suspend sales of the abortion pill known as RU-486 and study the drug's safety. The impending change of control in Congress complicates negotiations in these and other areas, which may make it more difficult for lawmakers to reach agreement when Congress comes back next month.

MEDICAID

Question 6: A panel the Bush Administration formed 18 months ago has recommended a series of changes for the Medicaid program. Could you give us the details?

Answer: The panel voted to recommend that the program's sickest beneficiaries be enrolled in managed care plans and to give states more power to shape benefit packages. Other recommendations included encouraging individuals to take more responsibility for their own nursing home costs and to give individual new tax breaks to buy private health care insurance so they would not have to enroll in Medicaid.

Question 7: What was the reaction?

Answer: Left-leaning advocacy groups hailed the recommendations for boosting alternatives to nursing home care but said most of the panel's other ideas would not survive when Democrats take charge of Congress in January. Rep. John Dingell, a Michigan Democrat who is expected to head the House Energy and Commerce Committee next year, called the panel "a hand-picked commission stacked against working families." Max Baucus, a Montana Democrat who is expected to head the Senate Finance Committee in January 2006, praised the panel's recommendation that all Medicaid enrollees have an electronic health record by 2012 but said the panel's other proposals would undermine federal oversight of the program and could mean that beneficiaries do not get the care they need.

SCHIP

Question 8: Some lawmakers have expressed concern about looming shortfalls for some states' funding under the State Children's Health Insurance Program or SCHIP. Could you tell us about that?

Answer: Sen. John D. Rockefeller, D-W.Va., said at a recent hearing on the issue that 17 states will run out of federal dollars to fund their SCHIP programs before the end of fiscal 2007 unless Congress intervenes. He said that Congress must act during the current lame-duck session to wipe out shortfalls totaling \$920 million or else place 630,000 children at risk of losing their health insurance coverage. Rockefeller has introduced legislation that would wipe out the shortfall by tapping unspent 2004 SCHIP funding as well as appropriating new money. Other lawmakers have also introduced funding legislation to correct the shortfalls.

Question 9: What are prospects for action?

Answer: That remains unclear, but as more members of Congress and outside groups put pressure on Congress it will likely improve prospects that something will pass before the year's end. The National Governors Association has urged House and Senate leaders to address the funding shortfalls before Congress adjourns and not put it off until Congress debates reauthorization of the SCHIP program next year. Sen. Max Baucus, D-Mont., who is expected to head the Finance committee when Democrats take control of the Senate next year, has also said it is urgent that Congress act before they end work for the year because the some states will begin running out of money as early as January.