

Wednesday, September 28, 2011

Senate Passes Continuing Resolution

On September 26, the Senate passed by a vote of 79-12 a six-week continuing resolution (CR) to keep the government funded through November 18. The Senate also passed on voice vote a shorter-term measure to keep the government operational through October 4, carrying it just a few days beyond the October 1 start to fiscal 2012.

The House is on recess this week and is anticipated to approve the Senate's plan in two steps: first, with a voice vote on Thursday on the shorter-term bill, followed by a full vote next week on the longer measure, thus giving the House time to deliberate upon its return to Washington.

The Senate-passed CR does not include cuts to health care spending. It succeeded following an earlier impasse with House Republicans over funding for emergency relief, with GOP lawmakers insisting on offsetting disaster aid payments with \$1.6 billion in cuts and Democrats opposing spending cuts to pay for emergency assistance. The Senate ultimately acted to remove \$1 billion in disaster aid from an earlier House-passed bill in order to avoid continued standoff with the House. This breakthrough occurred after the Federal Emergency Management Agency (FEMA) said that it had enough funds to finish its work in FY 2011, after previously saying it would run out of money as early as Monday.

Although the new CR is anticipated to pass the House, significant political wrangling in November around the next round of budget negotiations is expected, due in part to both parties' opposing stakes in the ground on funding priorities and the Joint Select Committee on Deficit Reduction deadline for providing its deficit reduction proposal at the same time.

The President Gets Specific on \$320 Billion in Medicare & Medicaid Cuts

\$3 Trillion Deficit Reduction Plan Assumes Permanent SGR Fix, Tax Increases on the Wealthy

On September 19, the President sent the Joint Select Committee on Deficit Reduction (Select Committee) a \$3 trillion deficit reduction plan that includes \$320 billion in health savings over the next 10 years, including \$248 billion in Medicare savings and \$73 billion in Medicaid and other health program savings.

While the President's plan does not include oncology-specific cuts, it does include a broad array of provider cuts and it is clear the \$3.2 billion cut to the reimbursement for Medicare Part B drugs remains a very real part of the discussion as the Select Committee works on their deficit reduction plan.

It is important that you take a moment to contact your Representative and ask them to sign onto the Representatives Lance (R-NJ) and Pascrell (D-NJ) letter to the Select Committee opposing cuts to cancer-fighting drugs.

[Click here to take action now!](#)

The President's plan does assume a permanent legislative fix for the Medicare sustainable growth rate (SGR) policy, but the plan would reduce payments for rural providers and advanced medical imaging services while increasing Medicare Part B premiums for new Medicare beneficiaries.

President Obama has threatened to veto any debt reduction plan that does not match Medicare and Medicaid cuts with increases in taxes on the wealthiest Americans, including a new millionaire tax and the elimination of a variety of loopholes and deductions for those making more than \$250,000 a year. About half of the tax savings would come from the expiration next year of the George W. Bush administration's tax cuts for the wealthy.

The health care cuts would primarily hit post-acute care (\$42 billion), Medicare Part D drug payments (\$135 billion), and beneficiary premiums (\$23.9 billion). The plan does not propose raising the Medicare eligibility age from 65 to 67 as many had expected it might. Other Medicare offsets proposed within this deficit reduction plan include the following:

- \$6 billion to reduce Medicare payments to rural providers by
 - ending the payment adjustment for hospitals and physicians in certain low population states in 2013
 - reducing payments from 101% to 100% of reasonable costs and eliminating the CAH designation for those that are fewer than 10 miles from the nearest hospital

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The President Gets Specific on \$320 Billion in Medicare & Medicaid Cuts (*cont'd*)

- \$900 million prior authorization proposal for the most expensive imaging services beginning in 2013
- \$400 million through a payment adjustment to account for higher utilization of advanced diagnostic imaging
- \$500 million by imposing penalties on Medicare providers who fail to become meaningful users of electronic health records for deficit reduction beginning in 2021 (instead of the funds going to a special account beginning in 2020)
- A proposal to strengthen the Independent Payment Advisory Board (IPAB) by reducing its growth rate target and also providing the ability to consider value-based benefit design
- \$20 billion by increasing income-related premiums under Medicare Parts B and D by 15%
- \$1 billion by applying a \$25 increase to the Medicare Part B deductible in 2017, 2019, and 2021 for new beneficiaries (current beneficiaries or near retirees would not be subject to this deductible)
- \$135 billion by allowing Medicare the same rebates that Medicaid receives for brand name and generic drugs provided to beneficiaries who receive the Medicare Low-Income Subsidy beginning in 2013
- \$2.7 billion by prohibiting “pay for delay” agreements to increase the availability of generic drugs and biologics
- \$20 billion Medicare bad debt policy would adhere more closely with private sector standards by reducing bad debt payments to hospitals from 75% to 25% for all eligible providers from 2013 - 2015
- \$2.3 billion by requiring CMS to extrapolate the error rate found in risk adjustment validation audits to the entire Medicare Advantage contract payment for a given year

To contact your representatives [click here!](#)

To read a summary of the White House plan [click here](#).

To read a copy of the White House plan [click here](#).

MedPAC Releases Payment Options for Proposed SGR Fix

Following its September 15 release of draft recommendations for replacing the SGR, on September 19 the Medicare Payment Advisory Commission (MedPAC) unveiled options for funding the payment proposal, estimated to cost approximately \$200 billion to Medicare.

MedPAC's proposed SGR fix would cut Medicare payments to specialty physicians by a cumulative 17 percent and freeze payments to primary care physicians for 10 years. It has received [strong opposition from the American Medical Association \(AMA\)](#), with the organization stating that the proposal's drastic cuts would threaten access to care for patients and have severe consequences for the Medicare program.

The commission's offset options for the proposal total \$230 billion, thus providing a cushion for the potential gap between MedPAC's cost estimates and the Congressional Budget Office (CBO) score for the physician payment proposal.

The funding options are separated into two tiers. Tier 1, which totals \$50 billion, includes past MedPAC recommendations that Congress has not passed. These include funding cuts to home health, hospitals and Medicare Advantage plans. Tier 2, amounting to \$180 billion, is comprised of recommendations from other sources and ideas previously considered by MedPAC but not recommended. These include cuts to drug manufacturers, skilled nursing facilities, clinical lab services and home oxygen.

Some provider groups have complained about these payment suggestions, saying that some of the proposed options have not been sufficiently vetted. MedPAC is expected to finalize its recommendations on Medicare physician payment during its October 6-7 meeting before sending a final proposal to Congress.

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FDA, House Energy and Commerce Health Subcommittee Gather to Discuss National Drug Shortages

On September 26, the Food and Drug Administration (FDA) hosted a workshop to discuss the increasing concern over the national shortages of important cancer treatments, anti-infection medications and other drugs.

Stakeholders in attendance urged the FDA that swift action would need to be taken in order to deal with the growing problem that is negatively impacting patients across the country.

The FDA workshop came on the heels of a September 23 House Energy and Commerce Health subcommittee meeting where members of Congress and administration officials invited testimony regarding possible solutions to the shortage.

Subcommittee Chairman Joe Pitts (R-PA) released a staff memo at the hearing which outlined the more than 240 drugs that were either in short supply or unavailable in 2010.

“These shortages cause delays in treatment and surgery, compel physicians to make changes in care plans and force patients to receive substitute therapies that add expense to patient care,” the memo said.

The Healthcare Distribution Management Association (HDMA), of which McKesson Specialty Health is a member, provided testimony at the hearing. Witnesses testifying before the committee also included representatives from the Department of Health and Human Services (HHS) and the Food and Drug Administration (FDA).

When probed on why the problem continues to worsen, HHS and FDA representatives replied that consolidation of the pharmaceutical industry is leading to fewer suppliers of drugs, which has added demand on manufacturing plants and limited the time and resources for necessary maintenance to prevent production breakdowns.

Witnesses added that some manufacturers have also lost interest in continuing to produce certain drugs as more drugs are now being sold off-patent with less opportunity for profit.

Additionally, the HHS and FDA representatives raised attention to the problem of some suppliers with access to scarce drugs selling them to hospitals at exorbitant prices. In many cases, these “gray market” suppliers may not be licensed, authorized distributors and the quality of the drugs may be suspect.

In a survey conducted this year by the Institute of Safe Medication Practices, more than half of 549 responding hospitals indicated that they had purchased at least one prescription drug from gray market vendors, with 7 percent reporting side effects or other problems.

As previously reported, the “Preserving Access to Life-Saving Medications Act,” sponsored by Sen. Amy Klobuchar (D-MN) and Sen. Bob Casey (D-PA) in the Senate and Rep. Diana DeGette (D-CO) and Rep. Tom Rooney (R-FL) in the House, would require drug companies to alert the FDA of anticipated shortages and allow the FDA to then notify providers, allowing them to find another source of the drug or select another course of treatment.

According to Sen. Klobuchar, other solutions to the shortages currently under consideration include improved shipment tracking programs, mandatory distributor accreditation, drug stockpiling and increased drug importing.

The FDA is next planning to host a September 30 webinar on the shortages. The webinar will address discuss the extent of the drug shortage issue and the importance of communication among the agency, drug manufacturers, health care professionals and the public in helping to reduce its impact.

To learn more and to join the webinar, [click here](#).