Disclosures

- No Financial Disclosures
- Registered Lobbyist
- Views not necessarily those of The American Society of Anesthesiologists
Remember January 2009?

- Obama Inauguration
- Democratic Super Majority
- Mandate of the people
- Don’t oppose HCR...or else
The Current Game Changer

Scott Brown (R)
51.9%

Martha Coakley (D)
47.1%

U.S. Senate
Massachusetts 2010
Senate Democrats No Longer Have 60 Votes to Move Health Reform Bill to Conf.

H.R. 3962, Affordable Health Care for America Act
Passed House November 7

H.R. 3590, Patient Protection & Affordable Care Act
Passed Senate December 24
What We Know Post-January 19: Chaos in the Democratic Caucus

Stages of Grief

- Denial
- Anger
- Bargaining
- Depression
- Acceptance
We Don’t Know: Road Ahead

“It’s unclear at this point. There’s an assessment going on of what is possible and the assessment is not complete, and it’s not quite clear what is possible at this point in terms of the road forward.”

- Senator Byron Dorgan (D-ND)

Chair, Democratic Policy Committee
“Do not walk away from reform. Not now. Not when we are so close. Let us find a way to come together and finish the job for the American people.”
Options for the Road Ahead

**Senate bill** - House passes Senate bill in its entirety and sends to the President for signature

**Reconciliation** - rewrite reform bill so that it can move through the Senate under the 51 vote reconciliation rules

**Scaled-down bill(s)** - bipartisan negotiation yields smaller bill(s) that can pass both House and Senate with bipartisan support

**Two bill strategy** - House passes a reconciliation bill (51 votes) along with the Senate reform bill in its entirety. Reconciliation “corrects” problems with Senate bill. “Reconciliation with sidecar.”
What We Know About Reconciliation

- Adopted and permitted as part of the Congressional Budget Act of 1974
- 19 reconciliation bills enacted into law
- Governed by strict time and content limitations
  - Fast-track process allows a bill to pass the Senate in a limited time period (no filibuster), and with the support of only 51 Senators.
  - Provisions must increase or decrease spending or revenue.
  - Extraneous provisions stricken by “Byrd Rule”
- Process to craft a package can be very slow and cumbersome through Committee process
Probable Reconciliation Bill to “correct” Senate Bill

• Likely to include provisions addressing House concerns:
  - Striking tax on “Cadillac” plan - a top labor issue
  - Add’l Funds for Medicare prescription drug coverage
  - Add’l funds for low-income subsidies
  - Fix for Nebraska issue aka “Cornhusker Kickback” and “Louisiana Purchase”
We Do Know Bill #2 - “sidecar” - Senate bill H.R. 3950

- Coverage: 94% “legally” residing in U.S. by 2019
  - Medicaid/CHIP: Adds 15 m.
  - Insurance through Exchange: 26 m.
- Individual mandate (2014)
- Employer “Pay or Play” (2014)
- Temporary high-risk pool
- Subsidies/Credits: $436 b.
- Net Impact: Reduces deficit by $132 b. 2010-2019
Senate bill H.R. 3950 (as adopted)

- Insurance reforms
  - Pre-existing Condition Exclusion
  - Lifetime/Annual Limits
  - Guarantee issue/renewability
- Standard Benefit Plans
- No public plan: multi-state plans offered under contract by the U.S. Office of Personnel Management (OPM)
- Medicare/Medicaid Savings: $438 billion
- Tax on “Cadillac” plans: Raises $201 billion
- Medical device and health insurer fees: raises $101 billion
What is happening right now?

House and Senate Democratic "discussions" continuing with lots of tension.

WH working behind scenes.

Looking for the path forward.
Other Administration Atmospherics

- (Blair) House Party - Invite Republicans and Democrats to a Bi-Partisan Summit
- February 25, 2010
- Televised (Unlike Obama/Pelosi/Reid meetings)
- Agenda? R’s Say “Clean Slate”
- Distrust of Rahm Emanuel (WH COS) et al
Driving Issues to Watch: Money and Elections

- Show me the money
  - HCR - decrease spending and increase quality
    - Increase quality if spending increased?
  - Focus on reducing federal deficit spending
    - President Obama and Deficit Commission
  - Look for more HCR spending cuts

- Senator Scott Brown – what role he will play
  - All eyes on November are concerned (except Republicans)
  - Blood in the water? PhRMA?
Hey geniuses, read the bills b4 voting!
Status Quo – All About Messenging

- Insurance Companies
  - Big profits - $2.4 billion in 2000 to $12.9 billion in 2007
  - Average CEO salary - $11.9 million

- Prescription Drug Companies
  - Profits in 2007 - 15.8% (vs. 5.7% at Fortune 500 companies)

- No mention of hospitals or physicians

*Senate’s Responsible Reform for the Middle Class: The Cost of Inaction*
Independent Payment Advisory Board (IPAB)

- 15 members
- Submit binding recommendations to reduce Medicare spending
- Recommendations would receive expedited consideration by Congress
- Think Military Base Realignment Commission (BRaC)
- Could also make non-binding recommendations on private sector!
- Estimated savings $28 billion (over 4 years)
Hospital Value-Based Purchasing

- Begin October 2012
- Measures will focus on the usual suspects:
  - AMI, HF, Pneumonia, SCIP, HCAI and pt satisfaction
  - Efficiency measures (e.g. Medicare spending/beneficiary)
- Hospital Performance Score - not determined
- DRG reductions fund incentive bonus (1.0% in 2013, 2.0% in 2017)
- Demos for CAHs and excluded hospitals
VBP Modifier for Physicians

- Modifier will provide for differential payment to physicians based on quality of care relative to costs.
- Secretary will establish measures (will look to NQF).
- Costs based on composite of measures with risk adj.
- Establish through NPRM during 2013 PFS.
- Payment applied January 2015.
- Budget neutral implementation.
PQRI

- Voluntary becomes mandatory
- 2011 Incentive - 1%; 2012-2014 - 0.5%
- Carrot becomes the stick
  - Failure to successfully report - 1.5% cut in 2015, 2% in 2016
National Strategy on Quality

- Secretary required to establish through a “transparent collaborative process”
- Identify national priorities
  - Potential to improve pt outcomes
  - Efficiency
  - Comparative effectiveness
  - Improved Federal pmt policy to emphasize quality
- Submit plan to Congress no later than January 1, 2011
CMS Innovation

- By January 2011, establish Center for Medicare & Medicaid Innovation
- Test payment and service delivery models to reduce program costs while preserving quality
- Emphasis on salary-based models
- $10 billion in funding (2011-2019)
Quality Measure Development

- Sec, AHRQ and CMS identify measure gaps and needs
- Provide grants and contracts to develop
- Outcomes, care coordination, safety, pt centeredness, efficiency, equity, pt satisfaction
- $75 million per year (2010-2014)
Quality is Hard Work

Particularly continuous quality improvement

Eye on the ball

PQRI retiring measures?
Let’s Have No Disillusions

- “[The Senate] bill doesn’t even meet the basic goal that the American people had in mind and what they thought this debate was all about: to lower costs.”
  
  Mitch McConnell, Senate Minority Leader
Medicare Going Bankrupt

- Medicare Trust Fund - Medicare will go bankrupt in 2017
- Unless it cuts benefits or payments by 19% to balance budget
Average Annual Premiums for Single and Family Coverage, 1999-2009

* Estimate is statistically different from estimate for the previous year shown (p<.05).

Workforce Pressures

- Shortages by 2020
  - 200,000 physicians
  - 1 million nurses

  *Center for American Progress, January 14, 2010*

- Current shortages
  - 400,000 nurses

  *US Bureau of Health Professionals*

- 78 million boomers hit retirement age in 2011

- Econ 101 - \( \uparrow \) demand; \( \downarrow \) supply = \( \uparrow \) costs, right?
Administrative Costs

- Costs of physician practices interacting with health plans is $23-31 billion annually
- Hospital costs?

*Health Affairs* Vol. 28, No. 3-4, w533
Squeezing blood out of a stone

- Sustainable Growth Rate - looming 21.2% cut
  - House fix - $209 billion
- Family Physicians
- Pediatrists
- OBs
- Cardiology practice expense cuts
- Anesthesia Conversion Factor
Difficult Business Decisions on Medicare, Medicaid at Mayo

At Mayo Clinic, we take pride in delivering efficient, high quality care to each individual patient. As an organization that has focused on the patient’s needs for over 100 years, the decisions that Mayo made last week to op-out of Medicare participation in a small Arizona family practice clinic and to discontinue Medicaid participation in Nebraska and Montana were very difficult for us.

Medicare at Arizona Family Practice
Mayo Clinic in Arizona loses a substantial amount of money every year due to the reimbursement schedule under Medicare, a loss we cannot continue to sustain. The discrepancy between what Medicare pays and our cost of providing service is particularly acute for our primary care practices. Due to these ongoing financial challenges for our primary care practices under the current Medicare system, the five physicians at Arizona’s Mayo Clinic Family Medicine – Arrowhead will opt out of participating in Medicare, meaning that Medicare will no longer reimburse for the services they provide. This change, effective Jan. 1, will only impact primary care office visits at this site. Specialty care, laboratory services, imaging studies and ancillary services at Mayo Clinic will still be covered by Medicare.
MedPAC

- January 14, 2010
- Unanimously recommends Congress update physician services payment in 2011 by 1.0%
- Increase Medicare spending by $2 billion for 2011
  - $10 billion over 5 years
estimated costs of that additional care. Although different types of preventive care have different effects on spending, the evidence suggests that for most preventive services, expanded utilization leads to higher, not lower, medical spending overall.

 markup concerning the Congressional Budget Office’s (CBO’s) analyses of the budgetary effects of proposals to expand governmental support for preventive medical care and wellness services. Specifically, you asked whether the agency’s scoring methods reflect potential reductions in federal costs from improvements in health that might result from expanded support for those activities.

Preventive Medical Care
Preventive medical care includes services such as cancer screening, cholesterol management, and vaccines. In making its estimates of the budgetary effects of expanded governmental support for preventive care, CBO takes into account any
"We can't forget that many of the benefits of prevention will accrue to the Federal government in the long term as opposed to the near term. Prevention results in longer, healthier, more productive lives -- yielding savings that don't typically show up on a score sheet. We have to return to common sense: keeping people out of a doctor's office or hospitals saves money. Seventy-five per cent of our health care spending goes to treat chronic diseases, many of which could be prevented from developing in the first place. Proven preventive services are worth it."

Linda Douglass, Communications Director for White House Office of Health Reform
“He uses statistics as a drunken man uses lamp posts...

For support rather than illumination.”

- Andrew Lang (1844-1912)
Clear and Present Danger

• Disconnect between Administration rhetoric on costs and regulatory actions

• Result? YOU will have to find ways to save the system money

• Mountain of regulations - definitions will mean everything!
Does HCR Solve Costs and Quality?

- No master plan to solve either
- Testing of ideas/concepts
- Development of ideas/concepts
- Further testing
- Devil will be in the details (regulations)
- Stay tuned