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President Joins Growing Debate On Expanding Health Coverage

Along with the two new initiatives, Mr. Bush's address reiterated his call for targeted private market reforms, including expansion of health savings accounts and creation of association health plans to help small businesses obtain healthcare coverage for their workers.

In his January 23 State of the Union address, President George W. Bush proposed two new healthcare reform priorities, calling for a tax deduction to help individuals buy private insurance coverage and pledging to support state initiatives to cover the growing number of uninsured, now estimated at 47 million Americans.

The proposed tax code change met with quick skepticism as critics noted that individuals covered through their job would have to pay income tax on employer-paid coverage that exceeded the standard deduction ($7,500 for individuals, $15,000 for families). Currently, job-provided coverage is not taxable to the employee.

Separately, the White House announced that Health & Human Services Secretary Michael Leavitt will lead the new effort to support state innovations in covering the uninsured. No new federal dollars are involved, but states would have more leeway over how to spend an estimated $30 billion now directed to hospitals and other safety net institutions for the poor and the uninsured.

Meanwhile, as the Democrats take control of Congress, there's pressure building to at least begin to consider more sweeping reforms, including universal coverage, as coalitions of business, labor, insurers, and consumers lobby to make this a national issue. For more on the changing political climate, see the *Focus*, pp. 4-6.

CMS Spells Out Details On Physician Bonus Pay

For six months this year, from July 1 through December 31, Medicare is authorized to make a 1.5% bonus payment to physicians who voluntarily report certain quality performance measures on their claims. The payments were approved in the Tax Relief & Health Care Act of 2006, and $300 million was set aside for the bonus payout pool.

Details on how the new program will work were recently provided by the Centers for Medicare & Medicaid Services. In response to an inquiry by *NIR*, the CMS media office said the bonus would not be paid on a claim-by-claim basis. Rather, if the physician has successfully reported the measures, the bonus would be paid on the total allowed charges from July 1 through December 31, 2007, subject to a cap defined in the statute. Actual payouts would be made in early 2008, after all the claims from the bonus period have been processed.

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Physician Bonus Pay, *from p. 1*

The eligible physician pool includes most medical specialties, but not pathologists as yet, a gap the College of American Pathologists is laboring to fill, though the earliest that pathology quality measures, now working their way through an elaborate consensus-building process, could be implemented is 2008.

CAP has been designated by the American Medical Association as the lead organization for the development of pathology measures. Initial performance measures based on breast and colon/rectal cancer protocols and developed by a CAP working group have been approved by the CAP Board of Governors and submitted to AMA's Physician Consortium Pathology Working Group for further refinement, according to the College's *Statline* report. Once endorsed by the National Quality Forum or the AQA Alliance, the measures will be sent to CMS for implementation in 2008.

The pathology quality measures must undergo a lengthy process of iterations among a wide variety of affected parties to achieve consensus. This process, conducted through the AMA, is continuing in waves, said CAP officials, as additional measures come under development. CAP official John Scott told *NIR* there is still "a lot of back-and-forth on scientific and technical issues," and "the endpoint will not be clear for a while."

Quality Reporting Measures For 2007

Under Medicare's 2007 Physician Voluntary Reporting Program (PVRP), 66 quality measures have been finalized, though specifications have only been developed for 45 so far, CMS said. Additional measures have been approved and will be added to the list soon.

The initial list includes recommended testing for blood glucose and LDL cholesterol in patients with Type 1 and 2 diabetes mellitus (measures from the 2006 PVRP core starter set), as well as quality care measures for osteoporosis, melanoma, and end-stage renal disease, among others.

Medicare began the PVRP in 2006 with a core starter-set of 16 quality measures. The set covered primary care, surgery, nephrology, and emergency medicine and specific services to treat coronary heart disease, diabetes, end-stage renal disease, depression, and surgical complications. Participating physicians get confidential feedback on their data accuracy, reporting rates, and quality of care.

The quality reporting measures and the quality reporting specifications developed to date can be found at *www.cms.hhs.gov/PVRP*. In determining specific quality measures, CMS gives preference to those approved by the AQA Alliance (the former Ambulatory Care Quality Alliance) and the National Quality Forum and to measures for which electronic data collection are available as an alternative to reporting on paper claims.

MedPAC Backs 1.7% Rise In Physician Fees

Physicians and other providers covered under the Medicare fee schedule should receive a 1.7% increase in reimbursements in 2008, the Medicare Payment Advisory Commission recommended this month.

The panel previously recommended a 2% hike, based on data available in December 2006.

The actual Medicare physician fee update each year is governed, however, by the statutory Sustainable Growth Rate (SGR) formula. The SGR triggered a 5% reduction in the fee update in 2007, but Congress intervened to freeze the update at zero and to introduce bonus payments of 1.5% for physicians who report certain quality measures. For 2008, the SGR is on track to trigger a 10% physician fee cut unless Congress steps in, projects the Congressional Budget Office.

In other Medicare payment recommendations for 2008, MedPAC:

- ❑ Endorsed a full market basket update for hospital inpatient and outpatient departments.
- ❑ Advised eliminating the update for skilled nursing facilities and long-term care hospitals on grounds they showed significant Medicare margins in 2005.
- ❑ Favored a 1% payment increase for inpatient rehabilitation hospitals.

focus on: Healthcare Reform

Shifting Political Winds Among States, On Capitol Hill Favor Greater Expansion Of Healthcare Coverage

Prospects for a new national discussion of broad-scale reform of U.S. healthcare—politically moribund since 1994 when President Bill Clinton's initiative collapsed and the Democrats lost control of the House—surged into the spotlight this month.

Catapulting healthcare reform to front pages across the country was a convergence of events in California and other states; in Washington among lobbyists for insurer, business, labor, and consumer coalitions; and on Capitol Hill where numerous reform bills have already been introduced or are circulating as drafts.

First Out Of The Starting Gate

California captured the headlines first when Rep. Governor Arnold Schwarzenegger on January 8 unveiled his plan for universal healthcare coverage. All residents would have to secure coverage, including an estimated 6.5 million uninsured, through work, in the private market, or from a state purchasing pool. The price tag: an estimated $12 billion, with costs spread among individuals, employers, doctors, hospitals, the state and federal government.

The California Plan: Key Coverage Features

- ❑ All residents must secure a minimum level of healthcare coverage through work, in the private market, or from a state purchasing pool.
- ❑ Compliance with the individual mandate will be monitored through wage withholding and the state tax code.
- ❑ Health plans must cover all applicants in the individual market, regardless of age or health status, and offer rewards and incentives for healthy practices such as exercise and losing weight.
- ❑ The poorest children would be covered by expanded Medi-Cal and Healthy Families (SCHIP) benefits, including an estimated 750,000 uninsured poor children. Coverage would include children of undocumented immigrants.
- ❑ At least 85% of premiums must be spent on direct patient care.

Democrats in the state legislature largely support the framework of Gov. Arnold Schwarzenegger's plan since it is similar to those they passed in December. The GOP opposes the requirement on employers to offer insurance as well as insuring illegal immigrants.

Not long after the California proposal, two influential coalitions representing a broad swath of businesses, health plans, unions, doctors, hospitals, and consumer groups made headlines with their plans to lobby the Democratic-controlled 110th Congress and the public to at least begin to address the healthcare coverage crisis that currently leaves a growing number of Americans, now estimated at 47 million, without any healthcare coverage.

Paying The Tab

The California plan would expand benefits to the uninsured through the Medicaid (Medi-Cal) program and Healthy Families (the State Children's Health Insurance Program or SCHIP). It also includes controversial provisions requiring employers and providers to pay into a state purchasing pool where workers could buy coverage.

Businesses with at least 10 employees must offer health insurance or send the state an amount equal to 4% of payroll, raising an estimated $1 billion. Doctors would

All healthcare reform initiatives on the table would have a special impact on clinical laboratories and pathologists because they would accelerate the current drive to link payment to the reporting of quality performance measures and to require interoperable health information technology (HIT) and e-health records to reduce medical errors and improve patient safety.

pay 2% of gross receipts and hospitals 4% of theirs, raising an estimated $3.5 billion, though some of this transfer would be offset by higher Medi-Cal payment rates, which state officials concede are too low.

The provider provisions are not likely to affect clinical laboratories, Mike Arnold of the California Clinical Laboratory Association told *NIR*. Few details of the Governor's plan have emerged, he cautioned. Labs also are not likely in line for the proposed Medi-Cal rate hikes, he said, but CCLA is working separately to get Medi-Cal lab fee increases.

How the employer and provider provisions are interpreted will be crucial to any enactment of the plan. If the assessment is a fee, it could pass the state legislature by a simple majority; if it is a tax, a two-thirds majority would be necessary, requiring GOP buy-in.

States Have Led The Way

When President Bush lauded state efforts to cover the uninsured in his State of the Union address, he was recognizing a solid trend during this decade for states to pick up the slack, frustrated with the lack of federal action. Maine became the first state to enact universal health coverage access in 2003, with the Dirigo ("I Lead") Health Reform Act, a measure aimed at providing every citizen with access by 2009.

Massachusetts last year enacted an individual mandate that all state residents secure healthcare coverage or forfeit certain state income tax advantages. All employers that have 11 or more workers and do not provide them with health insurance must pay an annual assessment of up to $295 per employee. The coverage mandate is scheduled to take effect July 1 of this year.

Also last year, Vermont created the voluntary Catamount Health Program to provide comprehensive coverage for uninsured residents, with access to publicly subsidized or lower-cost private insurance. Coverage focuses on managing chronic diseases. State funding comes from a Medicaid waiver, increases in the tobacco tax, and an employer assessment for employees who are not offered insurance or are uninsured.

In 2005, Illinois enacted an All Kids Health Insurance initiative to cover those below age 19, largely through expanding Medicaid and SCHIP benefits. All Kids began July 1, 2006. And Pennsylvania is following through on a similar plan for uninsured children.

A host of other states this year are looking at incremental reforms for the uninsured, according to the National Conference of State Legislatures. Several states have commissions due to report recommendations on expanding healthcare coverage. In Washington state, a blue-ribbon report to the legislature, released January 11, recommended, as a broad principle, that access to healthcare coverage be available to all the state's children by 2010 and to all adults by 2012.

Shifting Political Climate In Washington

When the Democrats took control of the House, they quickly acted on a modest healthcare agenda, passing bills to expand stem cell research and to require Medicare to negotiate directly for discounts from drug companies. The latter cleared without a

veto-proof majority, however, and Senate Finance Committee chairman Max Baucus (MT) has indicated that while he favors ending the ban on direct negotiations, he does not necessarily favor requiring the HHS Secretary to undertake direct talks.

But the Democratic majority soon was called on to consider a broader healthcare agenda and break the political gridlock over system-wide reform. The Service Employees International Union, AARP, and the Business Roundtable on January 16 announced a campaign to get national elected officials to bring about universal healthcare coverage and a retirement system for long-term financial security. The coalition is laying the groundwork for a concerted effort in the 2008 national elections, where members intend to make healthcare a front-and-center issue in every race.

Higher healthcare costs threaten U.S. long-term prosperity and competitiveness, said John Castellani, Business Roundtable president. "They are a top priority concern of America's business leaders." While the growth in U.S. healthcare spending has slowed, it still outstrips the rate of inflation and growth in the economy as a whole. On-the-job coverage is slipping, dropping from 81% in 2001 to 77% in 2005. As premiums rise, many businesses curtail benefits or drop coverage altogether.

Then on January 18, the Health Coverage Coalition for the Uninsured called for a two-phase strategy to provide healthcare coverage to low-income Americans, beginning with all children and spreading to most adults. Coalition members include America's Health Insurance Plans, AARP, the American Hospital Association, the American Medical Association, Pfizer, Johnson & Johnson, and the U.S. Chamber of Commerce.

The initial phase—Kids First—calls for expanded funding for Medicaid and SCHIP and for a new tax credit to help families cover the cost of buying coverage for their children. Families with earnings up to three times the federal poverty level ($60,000

U.S. Healthcare Spending: Where The Money Goes*

- Total spending: $2 trillion in 2005, or $6,697 per person, up from $6,322 per person in 2004.
- Rate of growth: Slowed for third consecutive year, increasing 6.9%, compared to 7.2% in 2004 and 8.1% in 2003. The growth rate for 2005 was the slowest in healthcare spending since 1999, when growth was 6.2%.
- Share of Gross National Product: Up only slightly, to 16% from 15.9% in 2004.
- Largest share of spending: Hospital care at $611.6 billion, with growth stable at 7.9% in both 2004 and 2005.
- Physician and clinical services: Up 7% over 2004, to $421.2 billion. Medicare growth for physician services was 9.5%, slightly lower than the 10.4% growth in 2004 and reflecting continued increases in the volume and intensity of services.
- Medicare spending: Up 9.3%, to $342 billion, following growth of 10.3% in 2004. From 2000-2003, average annual spending growth was 8.1%.
- Medicaid spending: Up 7.2%, to $311 billion, compared with 7.5% in 2004.
- Private payers: $1,085 billion, of which private health insurance accounted for $694.4 billion (64%), out-of-pocket $249.4 billion (23%), and other private funds $141.2 billion (13%).

*Figures are for 2005, the latest year for which the data are available. Source: CMS Office of the Actuary, January 2007.

per year for a family of four) would be eligible for the tax credit. For those with access to job-sponsored coverage, the tax credit could be used to buy coverage through an employee health benefits program.

Congress Open To Discussion

The shifting political climate has prompted Democratic party leaders to say they will take a closer look at ways to cover the uninsured, cut medical costs, and achieve savings on prevention and on administrative costs.

Party lions Sen. Edward Kennedy (MA), who chairs the HELP Committee, and Rep. John Dingell (D-MA), who heads the Energy & Commerce Committee, remain committed to universal healthcare coverage. Senate Finance member Ron Wyden (D-OR) has a Healthy Americans plan which would guarantee every American healthcare coverage that could never be taken away and would be equal to coverage enjoyed by members of Congress. Significantly, Wyden's plan would free employers from finding affordable coverage for their workers. After a short transition period, employers will make a "shared responsibility" payment of up to 25% of the average premium for essential care in the area.

A bipartisan group of lawmakers in the House and the Senate favor supporting state initiatives as "laboratories" for reforms that work and those that don't. The group has introduced bills to provide federal grants to states to carry out reforms to reduce the number of uninsured. The legislation would establish a state health innovation commission to review state health reform proposals. The proposals would then be subject to approval by Congress. As much as $4 million would be provided to operate the commission, but the amount to states would vary on the type and scope of their plans.

Bumping Into Budget Constraints

The overriding challenge to enacting sweeping healthcare reform is how to pay for it. If Congress follows the pay-as-you-go rules, the federal budget deficit is likely to severely constrain enactment of any major proposals. Medicare already is facing a potential funding warning that could mandate spending cuts.

Democratic party leaders say they will provide a sounding board for the issues leading into the 2008 presidential and congressional elections. House Ways & Means health subcommittee chairman Pete Stark (CA) does not foresee any big initiatives. "We have got to win again in 2008 … We are building up to a year, 2007, in which a lot of people are willing to discuss the benefits and costs of universal coverage, but I don't think we are going to make legislative headway." Stark has long advocated using Medicare as a model to provide universal coverage to all Americans.

45% Threshold Would Trigger Medicare Spending Cuts

With Medicare spending already squeezed by the growing federal deficit, a provision in current law that could force program spending cuts, once a certain threshold has been reached, will get a second look from the House Ways & Means health subcommittee as part of its Medicare oversight agenda this year, said full committee chairman Charles Rangel (D-NY).

At issue is a provision in the 2003 Medicare reform law under which Medicare trustees must determine whether projected general revenue funding will exceed 45% of Medicare financing within the next seven years. If the trustees make such a determination two years in a row, a Medicare funding warning is sounded, requiring the President to respond to the warning in his next budget submission. The law then requires Congress to consider the proposal on a fast-track basis.

The trustees issued their first warning in 2006 and are likely to issue a second this year, triggering the provision and likely a discussion on entitlement spending. Ways & Means health subcommittee chairman Pete Stark (CA) said legislation may be needed to preserve Medicare's entitlement nature.

AAB Registry Exams Approved For California Licensure

The American Association of Bioanalysts' Board of Registry examinations for MT (Clinical Laboratory Scientist, CLS) and MLT (Medical Laboratory Technician) have been approved for licensure purposes in California, AAB administrator Mark Birenbaum, PhD, recently announced. The effective date of the approval for both exams is January 1, 2007.

The approval was granted by the California Department of Health Services' laboratory field services branch. The branch does not plan to conduct an exam for MLT licensure and will rely on approved certification exams. The AAB Board of Registry MLT exam is the only MLT exam approved for licensure purposes at the present time.

Eleven of 12 states that license MTs and MLTs recognize the Board of Registry exams. These states include California, Florida, Georgia, Nevada, Hawaii, Montana, Louisiana, North Dakota, Rhode Island, Tennessee, and West Virginia.

♦ MEDICARE REGULATORY B·R·I·E·F·S

New Billing Codes For Breast Cancer Screening, Diagnosis

Medicare Part B is assigning the following new codes, effective January 1, 2007, for screening and diagnostic mammography codes. While these codes replace the current codes, the CPT code descriptors for the services are unchanged. Also, frequency limits for screening mammography under the Part B preventive services benefit will be applied to codes 77052 and 77057.

New Code	*Old Code*	*Descriptor*
77051	76082	Computer-aided detection (computer algorithm analysis of digital image data for lesion detection) with further physician review for interpretation, with or without digitization of film radiographic images, diagnostic mammography (list separately in addition to code for primary procedure)
77052	76083	Computer-aided detection (computer algorithm analysis of digital image data for lesion detection) with further physician review for interpretation, with or without digitization of film radiographic images, screening mammography (list separately in addition to code for primary procedure)
77055	76090	Diagnostic mammography, unilateral
77056	76091	Diagnostic mammography, bilateral
77057	76092	Screening mammography, bilateral (two view film study of each breast)

Medicare Interest Rate Increases

Effective January 19, the new interest rate for Medicare overpayments and underpayments is 12.5%, up from 12.375% in last October's quarterly update. The rate reached its highest point in 2006, at 12.625% between July 19 and October 17. Since 2001, Medicare's interest rate has fluctuated in the 11% to 12% range.

Diabetes & Cancer Screening Lag Behind In Quality Gains

Disparities of race, ethnicity, and socio-economic status still pervade the healthcare system, AHRQ reported. African Americans, Hispanics, and the poor continue to get a lower quality of care.

Despite quality gains for certain healthcare services, screening for diabetes, colorectal cancer, obesity, and asthma lagged far behind gains in other preventive medicine, the HHS Agency for Healthcare Research & Quality recently announced in two annual reports that provide a "snapshot" of the U.S. healthcare system.

The agency noted, for example:

- ❑ Only 48% of those with diabetes receive all recommended tests—blood sugar tests, foot exams, and eye exams—needed to prevent complications.
- ❑ Only about half of Americans receive recommended screening for colorectal cancer, including testing for fecal occult blood.
- ❑ About one-third of Americans are obese, yet only 49% of the obese receive diet counseling by a health professional.
- ❑ Only 49% of those with asthma said they were told how to change their environment, while 28% said they did get an asthma management plan.

In reviewing 40 core quality measures, AHRQ found a 3.1% increase in quality, the same rate as the previous two years. The largest improvement occurred in hospitals, with quality increases of a median annual rate of 7.8%. Vaccinations for children, adolescents, and the elderly improved almost 6%, but other areas of preventive care saw smaller improvements, such as screening, advice, and prenatal care, where the quality gain was less than 2%.

washington WATCH

Lab/Pathology Lobbying Blitz Planned

A two-day Legislative Symposium will be held March 19-20 in Washington, DC, featuring hands-on education in lobbying skills on the first day and making the rounds inside Congress the next day to discuss laboratory and pathology priorities with lawmakers. Sponsors of the event are the American Society for Clinical Laboratory Science, CLMA, and the American Society for Clinical Pathology.

Issue briefings and seminars will be featured on:

- ❑ Medicare reimbursement
- ❑ Lab competitive bidding
- ❑ Title VII allied health funding
- ❑ The lab personnel shortage

For registration and other information, contact ASCLS, 6701 Democracy Boulevard, Suite 300, Bethesda, MD 20817, telephone: 301-657-2768.

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