



## Policy Brief

March 22, 2019



### The President's Health Care Priorities in the Budget 2018 vs 2019

Last Monday, the President released his [recommended budget](#) for FY 2020. The budget includes several changes on funding for health care agencies that depart from his previous proposed budgets. The President's budget is not a formal piece of legislation; it's typically regarded as mere guidance for the Congressional appropriations process. However, the recommended changes on funding levels signal an adjustment of the President's overall priorities. Continue reading for an overview of what changed in this year's budget that could impact health care funding levels in 2020.

#### Medicare

The budget for FY 2020 cuts Medicare by more than \$800 billion over 10 years, which is a significant increase over the \$236 billion reduction recommended in the proposed budget last year. The current cuts are a combination of indirect cuts that simply move funding for programs to other departments and direct cuts impacting health care providers rather than beneficiaries.

#### Medicaid

This year's budget calls for a complete overhaul of Medicaid by implementing block grant programs. States would receive a lump sum amount to manage their Medicaid populations. If implemented as proposed, the block grants would cut \$1.5 trillion from Medicaid over 10 years. This is a significant change from last year's Medicaid budget, which focused on a narrower set of changes, such as lowering the cost of prescriptions and encouraging states to implement stricter eligibility requirements.

### **340B Program**

The President's budget recommendations for the Health Resources and Services Administration (HRSA) is largely a repeat of last year's request. The budget calls for granting HRSA greater control of the 340B program, including the ability to require hospitals to report their 340B savings and explain how those savings are applied. Additional proposals include establishing a 340B program user fee for participating covered entities and decreasing payments to hospitals that do not provide a minimum level of uncompensated care.

### **Reimbursement**

Cutting hospital reimbursement is a theme that is consistent with last year's budget. The FY 2019 budget recommended cuts to reimbursement rates for *off-campus* Hospital Outpatient Provider-Based Departments (HOPDs). This year's budget extends those cuts to *on-campus* HOPDs, which would save Medicare \$131 billion over 10 years. Moreover, the budget proposes to reduce payments for hospital bad debt from the current reimbursement rate of 65% down to 25% over a period of three years beginning in 2021.

Overall, The President's budget recommendations seem to be an emboldened pursuit in reducing the Federal government's financial contributions to health care. The proposal stands as a stark contrast to the proposals being advocated for by Democratic presidential hopefuls.



### **Grassley's Spotlight on Hospitals Continues**

Senator Chuck Grassley (R-IA) has revived his call to scrutinize not-for-profit hospitals. In the last month, the Senator has both [written to the IRS](#) demanding a full audit report on hospitals' community benefit activities and indicated a desire to rework Disproportionate Share Hospital (DSH) payments. Grassley isn't the only one interested in DSH, Sen. Marco Rubio (R-FL) [also has suggestions](#) on how to change the formula. When presented with hospitals' requests that ACA-mandated cuts to DSH payments be [delayed again](#), Grassley said the idea is "nothing more than a short-term, budgetary gimmick." READ MORE about Grassley's two-pronged focus on hospitals.

## Grassley's IRS Letter

Grassley's scrutiny of tax-exempt hospitals is nothing new; it has [been nearly 15 years](#) since he first took an interest. In his latest letter, the Senator asks the IRS to examine how hospitals justify their tax-exempt status and present their findings to him by April 1<sup>st</sup>. For more insights on the letter, visit our [previous Policy Brief](#).

## DSH Payment Reform

The amount that each state receives in DSH payments fluctuates based on a 1992 formula for calculation. According to a recent [report](#), there is no meaningful association between a state's DSH allotments and its level of need. Legislators want to address this but reform could prove tricky—changes that [benefit some states](#) could result in large cuts for others. Despite the difficulty, Sen. Grassley says he is ready to tackle changing DSH. Sen. Rubio feels the same, calling reform “a tough fight but one we're going to pursue because it's fair.” Even MACPAC is [recommending a recalibration](#) of DSH. While the actual details of reform remain vague, hospital leaders should continue to watch for new DSH legislation.



## Gottlieb Resigns—What's Next for the FDA?

On March 5<sup>th</sup>, Scott Gottlieb, M.D., [announced his resignation](#) as the Commissioner of the U.S. Food and Drug Administration (FDA). Gottlieb's tenure was characterized by an increase of medical device approvals by the FDA and his tough stance against [teenage vaping and cigarettes](#). The Agency will not likely change its direction as HHS Secretary Alex Azar [stated](#) that he would only support Commissioner nominees that commit to combatting e-cigarette use. Norman “Ned” Sharpless, the Director of the National Cancer Institute, will take up Gottlieb's mantle as acting Commissioner of the FDA. Below are more details on Gottlieb's departure and the new acting Commissioner.

Gottlieb's departure came as a surprise as only two months ago [he tweeted](#) that he was not leaving the FDA. Many were speculating that Gottlieb was pressured to leave, but he gave his [family as the reason](#) for his departure. Gottlieb had faced criticism over decreasing the FDA approval time for medical devices; many believed that medical devices were being approved too rapidly to ensure safety. Despite this, both President Trump and Alex Azar have given Gottlieb high praise for his work at the FDA.

With Sharpless as the acting Commissioner of the FDA, it is not likely that there will be a departure from [the Agency's current focus](#). Sharpless has had a long career in academia and was the founder of G1 Therapeutics, a biotechnology company that developed cancer treatments, before he became the Director of the National Cancer Institute. Alex Azar [has stated that](#), "There will be no letup in the agency's focus, from ongoing efforts on drug approvals and combating the opioid crisis to modernizing food safety and addressing the rapid rise in youth use of e-cigarettes."







### **340B Update**

CMS' [repayment](#) of the 340B payment cuts mandated in the OPSS CY 2018 rule continues to be stalled in court. After a federal court issued a permanent injunction blocking the 340B payment cuts, hospitals added additional cuts finalized in [the OPSS CY 2019 rule](#) to their initial complaint. As a result, CMS made another motion to dismiss this complaint and a court ruling is expected again soon. We will also likely see movement around the program the upcoming year. President Trump [included recommendations](#) to reform the program in his FY 2020 budget proposal, as mentioned above, and Alex Azar stated in a [recent hearing](#) that he has interest in working with Congress to reform the 340B program.

## Universal Health Care Coverage

The idea of government-run, universal health care coverage is already taking center-stage in 2020 presidential campaigns. While “Medicare-for-All” is the tagline receiving the most media coverage, there are many health policy proposals seeking to increase access to high quality care. Some would permit buying into existing public health plans, while others suggest eliminating private insurance altogether. Although unlikely to be implemented anytime soon, their commonalities can give a hint at what future health reform might entail. Below is a summary of some of the latest proposals.

	Does it keep employer-sponsored insurance?	Does it cover all American citizens?	Would patients pay premiums?	Would it increase taxes?	Does it regulate prescription drugs?
<b>Medicare-For-All</b> <i>Bernie Sanders (I-VT)</i>					
<b>Medicare-For-All</b> <i>Pramila Jayapal (D-WA)</i>					
<b>Medicare Extra For All</b> <i>The Center for American Progress</i>					
<b>Medicare Buy-In</b> <i>Jeff Merkley (D-OR)</i>					
<b>Medicare Buy-In</b> <i>Jan Schakowsky (D-IL)</i>					
<b>Medicare Buy-In</b> <i>Michael Bennet (D-CO)</i>					
<b>Medicare Buy-In</b> <i>Brian Schatz (D-HI)</i>					
<b>Medicare-For-More</b> <i>Debbie Stabenow (D-MI)</i>					

## MedPAC Releases Report to Congress

The Medicare Payment Advisory Commission (MedPAC) recently released its [March 2019 report](#) to Congress. MedPAC is an influential policy advisory board whose many recommendations are often adopted by Congress and HHS. As mandated by the SUPPORT Act, the report includes a review of opioid and non-opioid pain treatment alternatives and payments under Medicare’s inpatient and outpatient payment systems. It also recommends (as done in previous reports) for Congress to replace Medicare’s current hospital quality programs with a new Hospital Value Incentive Program (HVIP). Further details on this report will be covered in the next Policy Brief.



## **A Look at the Federal Register**

**Draft Industry Guidance on Certain Tobacco Products.** The FDA released [a draft guidance document](#) that outlines changes to compliance policies for specific tobacco products, including e-cigarettes and some cigars. The proposal tightens restrictions on fruit-flavored tobacco, excluding mint and menthol. **Comments on the proposed guidelines are due April 15<sup>th</sup>.**

**Child Hospital Consumer Assessment of Healthcare Providers and Systems (Child HCAHPS) Survey Database.** The Agency for Healthcare Research and Quality (AHRQ) is seeking comments regarding the use of a Child Hospital Consumer Assessment of Healthcare Providers and Systems ([Child HCAHPS\) Survey Database](#). The proposed Child HCAHPS Database will function as a voluntary database to support both quality improvement and research to enhance the patient-centeredness of care delivered to pediatric hospital patients. **Comments are due April 18<sup>th</sup>.**

**Hospital Survey on Patient Safety Culture Comparative Database.** The AHRQ is seeking comments on the proposed Hospital Survey on Patient Safety Culture (SOPS) [Comparative Database](#). The Hospital Survey on Patient Safety Culture is designed to enable hospitals to assess provider and staff perspectives about patient safety issues, medical error and error reporting. The Hospital SOPS includes 42 items that measure 12 composites of patient safety culture. **Comments are due May 20<sup>th</sup>.**

## **IN OTHER NEWS**

[CMS Issues New Guidance on Medicare Demonstrations](#) – FierceHealthcare

[Dems Hit GOP on Health Care with Additional ObamaCare Lawsuit Vote](#) – The Hill

[Feds approve Ohio's request to implement work requirements](#) – Modern Healthcare

[MetroHealth raising minimum wage to \\$15 an hour](#) – Modern Healthcare

[Standardizing Social Determinants of Health Assessments](#) – Health Affairs

[293 Hospitals Receive 5 Star Rating from CMS](#) – Becker's

[Humana launches spinal fusion bundled-payment model](#) – MarketWatch