



Legislative update



'Ownership' Dose for Medicare

Wall Street Journal (02/28/06) P. A6 ; Rogers, David

Earlier this month, Congress prepared the way for the elderly on Medicare to have in-house hospital beds with a budget bill requiring that Medicare home-care recipients take possession of their rented beds after 13 months. President Bush wants to apply the same rule to oxygen equipment in hopes of saving billions of dollars and helping the elderly to bargain for less expensive respiratory-therapy services. The administration argues that the current rental payments are a waste of limited government funds, and that the scenario has gotten to a point where relationships must be changed. Rather than renting, Medicare would in essence purchase the equipment for a beneficiary, who could then bargain for services--oxygen supplies and upkeep--separately on the basis of price and service. The change has bothered Republican-friendly medical-equipment and home-care suppliers that rent equipment to Medicare but never relinquish title. Opponents argue that the Bush administration is hostage to a free-market belief that ignores the condition of the elderly, many of whom are in poor health and already dealing with the Medicare prescription-drug benefit. Malachi Mixon of the medical-equipment company Invacare Corp. points out that an unintended result is the financial pressure to construct less costly, less durable products due to the 13-month cap placed on bed rentals. Meanwhile, Apria Healthcare Group Inc. CEO Lawrence Higby notes that owning oxygen equipment will probably be a burden instead of a boon for the elderly, many of who are too sick to negotiate the savings on supply predicted.

For more information on the article go to <http://www.vgm.com/headlines/article.asp?ID=834>

MEDICARE: NEWSPAPERS EXAMINE COST ISSUES

Two newspapers on Tuesday examined cost issues related to Medicare. Summaries appear below. - Los Angeles Times: The Times examined how as many as 10,000 Medicare beneficiaries nationwide are having difficulty obtaining intravenous immune globulin treatments after CMS reduced reimbursement rates for doctors and hospitals that provide the service. The situation illustrates "how hard [it] is" to reduce Medicare costs without hurting beneficiaries and potentially raising health care costs in other areas, the Times reports. IVIG is used to treat a number of conditions that affect the immune system and nerves. Until last year, Medicare reimbursed providers using a formula based on the equivalent of list prices for the treatment.

However, in an effort to cut costs, CMS changed to a new payment formula based on an average of actual sale prices. Providers now say the reimbursements do not cover the cost of providing the treatments, and many have dropped the service. In response to a letter from the government's Advisory Committee on Blood Safety and Availability warning that many beneficiaries were having trouble obtaining services, CMS has approved a new administrative fee for doctors and hospitals providing IVIG treatment, but the providers say it still does not cover costs.

As a result, some patients are reducing the number of treatments they receive or are turning to less-effective, alternative treatments. For some, their conditions have worsened, possibly raising costs for Medicare, according to the Times. HHS Secretary Mike Leavitt said at a recent congressional hearing that officials "understand" the problem and are "going to resolve it" (Alonso-Zaldivar, Los Angeles Times, 2/28). - Wall Street Journal: The Journal examined an effort by the Bush administration to allow Medicare beneficiaries to take ownership of certain medical supplies after

renting them for a specified period of time. According to the Journal, Congress this month approved a provision in the fiscal year 2006 federal budget mandating a "rent-to-own" rule under which Medicare home care beneficiaries can "take title" to their rented hospital beds after 13 months. The change is intended to reduce Medicare costs by eliminating rental payments. The Bush administration hopes to apply a similar rule to oxygen equipment. The change would allow Medicare in effect to "buy" the equipment for beneficiaries, who would be expected to "bargain for services" such as oxygen supplies and maintenance, the Journal reports. The change could save billions of dollars on the one million beneficiaries for whom Medicare currently provides oxygen therapy services, the Bush administration says. "Republican-friendly medical-equipment and homecare suppliers" that rent equipment to Medicare are "angered" by the proposal and say the Bush administration is placing too much faith in the ability of the health care system to adhere to a free-market ideology and the ability of frail beneficiaries to bargain for their care, the Journal reports (Rogers, Wall Street Journal, 2/28).

FRIST: MEDICARE OVERHAUL A PRIORITY FOR HEALTH REFORM

Medicare will run out of money in about 14 years without reform, and a transformation is needed to make the U.S. health care system sustainable, Senate Majority Leader Bill Frist (R-Tenn.) said at the Detroit Economic Club on Monday, the Detroit Free Press reports (Merx, Detroit Free Press, 2/28). In order to control government spending, Frist said, "The place to begin is Medicare. Political figures in Washington aren't talking about it. But let me tell you -- if they really care about the country's future -- they should be" (Carey, CQ HealthBeat, 2/27). To help get a handle on Medicare costs, Frist proposed implementing chronic-disease management programs, encouraging U.S. residents to participate in their health care decisions and improving medical information technology. Frist said, "More than 90% of Medicare dollars are spent treating people with chronic disease." If the government helped such beneficiaries manage their conditions and take preventive measures, health costs could be reduced by 30% for those patients, according to Frist. He said, "Prevention lowers the disease burden. Prevention lowers cost" (Detroit Free Press, 2/28). According to CQ HealthBeat, Frist said that Medicare needs to become a "consumer-driven, patient-centered program" that is "provider friendly" and rewards providers based on performance rather than "blindly reimbursing" them for treatments. Frist also said that improving health care IT will help save money and improve the quality of care. He added, "Income relating" -- which ties the level of benefit provided to beneficiaries' income levels -- is "inevitable to avoid the intergenerational inequities that would otherwise stem from the demographic aging revolution around us" as baby boomers hit retirement age (CQ HealthBeat, 2/27).

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