A WIDE RANGE OF PROVIDER, CONSUMER AND OTHER GROUPS OPPOSE REPUBLICAN MEDICARE AND MEDICAID LEGISLATION

November 29, 1995

Reaction to Republican Medicare Proposals

The American Medical Association's endorsement of the House Republican Medicare legislation should not be taken as proof that health care providers support the reconciliation bill conference report passed by Congress. The AMA has never expressed support for the Medicaid reductions in the legislation.

Moreover, a range of other groups representing not only physicians but also nurses, hospitals, public health professionals, consumers and the elderly have repeatedly and forcefully expressed their opposition to Republican Medicare and Medicaid proposals.

American College of Physicians

The American College of Physicians, the nation's largest medical specialty society, has been one of the leading critics of Republican Medicare and Medicaid legislation. The College represents 86,000 internists in general internal medicine and 15 internal medicine subspecialties, including cardiology, neurology, pulmonology and gastroenterology.

As Dr. Gerald E. Thomson, President of College, put it in his Congressional testimony, "...this group of physicians--internists who provide more care for Medicare patients than any other physicians--are *not* [his emphasis] on board with the proposed reductions in the public insurance programs. We think that cuts of this magnitude call into question our ability to provide the world class medical care enjoyed by many, but not nearly all, Americans...

"The College is concerned about an approach to Medicare restructuring that starts from a target number driven by the demands for a balanced budget and tax cuts, then tries to engineer changes to meet that target. We believe in the opposite approach: start with changes that derive from health care system goals, and then estimate the savings that would be produced...We believe that the appropriate goal at this time is to extend the solvency of the Medicare trust fund, with savings estimated by the HCFA actuary at $89 billion, and to create the public-private mechanism necessary to plan for long-term savings in the entire health care system, including the public insurance programs." (testimony of Gerald E. Thomson, MD, President, American College of Physicians, to Senate Democratic Leadership, October 5, 1995)

The internists represented by the College are deeply concerned about the impact of Medicare cuts on the availability and the quality of care for beneficiaries: "Medicare payment to physicians averages fully one third less than private sector payment. To ratchet down reimbursement further will threaten the ability of both doctors and hospitals to treat current and especially new Medicare patients. Particularly vulnerable are the poor...the very old, the disabled and those living in rural and urban poverty areas.

"...It is astonishing that additional beneficiary costs are contemplated in the face of figures that show the average Medicare patient already pays as much as 21 percent of their limited incomes for medical care. Every doctor can report to you patients living only on Social Security incomes, who forego medications because they cannot afford the cost of prescriptions drugs.

"We urge the Congress to forego the inclusion of these programs in this budget cutting exercise... We recognize that the changes we recommend may not be quantifiable by CBO for short-term deficit reduction...Many proposals which are so easily scored by CBO are arbitrary program cuts that harm patients, health care professionals and institutions, and the larger health care system." (October 5, 1995 testimony)

American Nurses Association and National Association of Public Hospitals
The American Nurses Association and National Association of Public Hospitals joined the College to issue a statement condemning the legislation and urging Congress to reconsider its approach to Medicare: "In recent days, the press has been full of reports about gains for physicians and other health care providers in the Medicare legislation about to move to the floors of the House and Senate. Our three groups stand here today to say that, as health care professionals, our first concern MUST be for our patients. Weighing all the elements of this bill, the American College of Physicians, the American Nurses Association and the National Association of Public Hospitals, believe that the total package will be harmful to patients, physicians, hospitals, and the health care system as a whole."

The three groups predicted that the provider cuts in the proposal would substantially drive down the quality of care for both beneficiaries in the fee-for-service program and those who opt for managed care plans: "Reimbursement will be cut deeply in all delivery environments--both managed care and fee-for-service--affecting the ability of HMOs, individual physicians, hospitals, nursing homes and home health agencies to provide care...The effect of these reductions will be to squeeze providers so much that doctors and hospitals are forced to treat far fewer Medicare patients. The best of the managed care plans, those that provide comprehensive, coordinated care, will face the same pressures. Patients may find that their only 'choices' at that point are cheap managed care plans or medical savings accounts, with the government washing its hands of its responsibility to assure that care is up to acceptable standards."

"The budget cuts in this package do nothing to change the growth curve of health care costs...They do not save or preserve Medicare, they simply shift costs from government to patients and providers...The Hippocratic oath pledges doctors to do no harm. Congress needs to take a similar pledge." ("American College of Physicians Speaks up for Medicare Patients," October 17, 1995)

American Association of Physicians and Surgeons
A spokeswoman for the American Association of Physicians and Surgeons, a 3,000 member organization of doctors opposed to managed care, predicted that the Republican Medicare proposal would virtually end the fee-for-service component of Medicare: "Doctors won't be able to afford to treat Medicare patients, because the rates will be so low, and fee-for-service medicine will just disappear." (*Los Angeles Times*, October 23, 1995).

Public Health Professionals
The American Public Health Association, which represents 50,000 public health professionals, agrees with the American College of Physicians that program changes should generate savings, rather than the reverse: "Changes in the Medicare program should not be driven by an effort to reduce taxes but rather by an effort to control growth in Medicare and other medical care program costs while simultaneously safeguarding health care access and outcomes." (*American Public Health Association's Policy Statement on Medicare*)

Consumer Groups
The reconciliation bill conference report would relax antitrust laws with respect to provider service organizations--in general, groups of physicians or a hospital or hospitals that have formed a health care plan. The bill would also allow a physician to refer Medicare patients to medical equipment suppliers and other companies with which the doctor has a compensation arrangement--a practice prohibited under current law. According to consumer groups, these and other concessions granted by the House Republican leadership in order to secure the endorsement of the AMA could result in higher health care prices and a lower quality of care.

"The greatest fear is that in trying to win health care providers' support for major cuts in Medicare and Medicaid, anti-competitive changes will be instituted that drive up overall health costs and undercut consumer protections, increasing harm to patients," warned Gene Kimmelman, co-director of the Washington office of Consumers Union, the large advocacy group that publishes Consumer Reports magazine. (*New York Times*, October 15, 1995)

The *San Francisco Chronicle* put it this way: "Congress had good reason to enact prohibitions on physician self-referral six years ago, and those reasons still hold. Clearly, doctors who invest in health-care facilities--from radiology laboratories to home health services--have an incentive to refer patients to those facilities. Combined with a weakening of antitrust and malpractice laws aimed at physicians, the lifting of the ban on self-referral allows doctors to take unfair advantage of a national crisis." (*San Francisco Chronicle* editorial, October 20, 1995).

American Association of Retired Persons
The American Association of Retired Persons, the nation's largest seniors' organization, has consistently maintained that the Medicare and Medicaid reductions in the Republican proposals are too much, too fast: "The American Association of Retired Persons remains very concerned about the magnitude of reductions to Medicare and Medicaid contained in the conference report

to the Budget Reconciliation Act. While the report includes some further improvements, Congress still has a long way to go.

"...Millions of American families depend on Medicare and Medicaid for their basic health coverage, for protection against the high cost of long-term care and for financial security. These protections, for Americans of all ages, are now at risk...At this juncture in the budget debate, it's a shame that veto is necessary, but there is no other alternative." (*AARP Statement on the Budget Reconciliation Act of 1995*, November 16, 1995)

National Association of Medical Equipment Services
The reconciliation bill conference report freezes Medicare payments for durable Medical equipment, including wheelchairs and hospital beds, for seven years and cuts payments for home oxygen equipment by 20 percent in 1996 and by steadily increasing percentages thereafter--30 percent by 2002.

"It's so ludicrous it's incomprehensible," said William D. Coughlan, president of the National Association for Medical Equipment Services. "We supply the oxygen that people need to breathe." Steve Haracznak, a vice president of the association, added "We're a small industry, and we can't fight back like the AMA." (*New York Times*, October 24, 1995).

Reaction to Republican Medicaid Legislation

As noted above, the AMA has not endorsed any of the Republican Medicaid proposals, and an larger number of physician and other provider groups have expressed reservations or outright opposition to the legislation.

The Pediatric Health Community
The American Academy of Pediatrics, which represents 48,000 pediatricians, warned that Medicaid block grants could jeopardize the health of millions of children who are now eligible for Medicaid: "Unrestricted block grants threaten the funding, eligibility and benefits upon which millions of our nation's children depend." (testimony of George D. Comerci, MD, President, American Academy of Pediatrics, before the House Commerce Committee, August 1, 1995).

The pediatricians, who provide care to the 50 percent of Medicaid recipients who are children, urged Congress to, as part of any block grant proposal, require States to maintain current eligibility criteria and to establish a "federally funded 'rainy day fund' or a similar mechanism to prevent states from having to reduce the Medicaid program during periods of increased eligibility in the population due to a number of factors, such as economic downturns, when it is most needed." The statement was endorsed by five other pediatric health organizations, including the American Pediatric Society and the Association of Medical School Pediatric Department Chairmen. The reconciliation bill conference report, however, does not include either of these provisions.

Fifteen pediatric health organizations, including the American Pediatric Surgical Association and the Society of Pediatric Nurses as well as the groups mentioned above, issued a joint statement urging Congress to preserve the entitlement to Medicaid coverage for children and adolescents. The organizations also called for preservation of the early and periodic screening, diagnostic and treatment (EPSDT) services now available under Medicaid for persons under 21. The conference report does require States to cover poor children under 13, but maintenance of the EPSDT services is not required.

American College of Physicians

The American College of Physicians, representing 86,000 internists, is an outspoken opponent of the Republican Medicaid legislation: "We strongly object to the slashing of Medicaid spending and the elimination of the guarantee of coverage. These proposals will take a program which has always been inadequate--covering only about half the people below the poverty level--and cut it back further...no one has shown how states, "freed" from federal requirements, can maintain the current level of service with severe reductions in funding...If we face another recession, thousands will lose jobs and employer-provided coverage. States will face enormous pressures to provide coverage but will not have the funds to do so under these proposals. (October 5, 1995 testimony)

"Physicians, nurses, hospitals, and nursing homes--all on the front lines of providing health care--have come together to the state their opposition to the Medicaid budget proposals moving forward in the House and Senate Reconciliation bills. Make no mistake: people will be sicker, and people will die, as a result of this toxic mix of funding cuts and elimination of standards...

"There has been too much deal making during these last two or three weeks. Unfortunately, never at the table are patients, especially poor patients...Medicaid is most at risk in the twisted logic of today's political climate because it serves the most vulnerable population...It is claimed that states can do more with less--that 'freed' of federal constraints, they can serve their Medicaid population and even expand their programs. This is a new experiment in voodoo economics that uses poor patients and our elderly and disabled people in nursing homes as guinea pigs." ("Statement of the American College of Physicians on Congressional Medicaid Budget Proposals," October 23, 1995)

Public Health Professionals and Other Groups

Other provider groups have also voiced concern about the capping of Federal Medicaid funds, which would leave states at the mercy of economic or other factors that can increase the number of poor needing medical assistance.

The American Public Health Association summarizes the problem and warns of the consequences: "If demands on the program increased because of a recession, inflation in medical care costs...or some other reason, federal funds would not increase...This would have an impact not only on state governments, taxpayers and those receiving Medicaid services. It would also

affect...safety-net providers such as community and migrant health centers, public health departments, hospitals serving the medically indigent, as well as teaching hospitals and nursing homes, which now receive substantial Medicaid funds. Failure to provide additional funds to meet additional demands on these providers would constrain their ability to provide services to the general public as well as those receiving Medicaid services. (*APHA's Criteria for Evaluating Proposed Changes in Medicaid*)

The American College of Preventive Medicine urges that Medicaid funding "be sufficiently flexible to accommodate varying national and regional economic circumstances that may cause unpredicted growth in the need for health services provided through Medicaid." (American College of Preventive Medicine principles with respect Medicaid program changes, adopted October 29, 1995)

Nursing Homes

Paul Willging, executive vice president of the American Health Care Association, which represents 11,000 nursing homes, predicts that Medicaid cuts will force States to sacrifice nursing home quality or coverage or both: "There's only two things they [the States] can do [when faced with Medicaid cuts]. They can cut back on the number of people served. What they'll do with them, I'm not sure. The average age of people in nursing homes is 85, and 60 percent suffer some form of senile dementia. So, we're talking about some pretty sick people. The other option is to cut reimbursement, which means they don't have the political courage to make decisions about quality. They'll leave it up to the facilities to cut." (*New York Times*, November 12, 1995).

Religious and Local Government Groups

The National League of Cities, the U.S. Conference of Mayors, Catholic Charities USA, the Union of American Hebrew Congregations and the United Methodist Church were among the more than 100 organizations that urged President Clinton to veto any Republican proposal eliminating the entitlement to Medicaid coverage for those now eligible: "Eliminating the entitlement status would jeopardize health coverage for these seniors, families, children, and persons with disabilities, at a time when employers are dropping coverage and the number of uninsured persons continues to rise." (August 16, 1995 letter)

Reaction to Provisions Affecting Hospitals

The Republican Medicare and Medicaid proposals have hospitals particularly anxious. Organizations representing more than 5,000 hospitals and health systems nationwide have banded together to oppose the legislation.

In a letter sent to all members of Congress, they stated that they could not support the reconciliation bill conference report: "Our reason is straightforward: as it stands, this legislation, viewed in its entirety, is not in the best interest of patients, communities and the men and women who care for them...We have consistently stated that the budget reductions in Medicaid and

Medicare remain too deep and happen too fast. Hospitals and health systems are willing to shoulder a fair share of the reductions needed for a balanced budget. But the reductions in the conference report will jeopardize the ability of hospitals and health systems to deliver quality care, not just to those who rely on Medicare and Medicaid, but to all Americans." (letter dated November 17, 1995).

Among the signatories were national organizations such as the American Hospital Association (AHA), the Catholic Health Association and Voluntary Hospitals of America, as well as state hospital associations from 47 states.

A report by the independent health care research firm Lewin-VHI, commissioned by the AHA, found that hospitals would be particularly hard hit by the Republican Medicare proposals, even though Medicare spending on hospital services is growing slower than spending on other services: "Reductions in Medicare provider payments of the magnitude called for in the budget resolution could result in a real reduction (e.g., growth below the growth in inflation) in Medicare spending for hospital services, while spending on other services would continue to grow at rates well in excess of inflation." (*The Potential Impact of Medicare Reductions on Spending for Hospital Services*, Lewin-VHI, September 13, 1995)
NOTE: The reductions in payments to hospitals in the reconciliation bill conference report fall well within the ranges assumed for purposes of the Lewin-VHI report.

The American College of Physicians predicts that the Medicare cuts may drive many hospitals out of business: "The Committee package jeopardizes the viability of hospitals, many of which already operate on slim margins. The combination of cuts in updating the Prospective Payment System for hospitals and in reimbursement for graduate medical education will push many hospitals into a financially untenable situation, resulting in cutbacks in care and elimination of services and institutions. We are particularly concerned about the leading teaching centers that play a unique and precious role in developing and delivering high technology medicine and caring for the most difficult patients. These institutions also shoulder a large proportion of care for the uninsured." (October 5, 1995 testimony)

Independent financial experts agree that the Medicare and Medicaid cuts may force many hospitals to shut their doors. Moody's Investor Service, a Wall Street credit rating firm, indicated that it "might have to downgrade its ratings of many major hospitals, and that some of them might not survive the financial ordeals ahead." According to Moody's, hospitals have already been taking steps to cut their expenses, but "the magnitude of the new reductions would require hospitals to take even more dramatic action....Regardless of the measures hospitals take, the cuts will reduce profit margins materially and lead to the closure of weaker performers." Moody's found no evidence that greater efficiency would achieve the kind of savings required by the cuts. (*New York Times*, November 3, 1995)

"You can only squeeze the grape so long before there is no juice left," said Pat Guthrie, president of Healthcare Financial Advisors, Inc., a Newport Beach firm that advises hospitals on Medicare

and Medicaid payment questions. (*Los Angeles Times*, October 16, 1995)

According to some rural health officials, the Republican Medicare and Medicaid proposals will leave Catholic hospitals in particularly severe straits: "With the magnitude of cuts they're talking about...we're looking at closures over a wide area...rural hospitals will be the most affected...Something has to change with Medicare and Medicaid funding, but we think the Congressional proposal is too big a change too quickly." (*Catholic Health World*, November 1, 1995).