



## Health Policy Briefing

July 27, 2015

### Medicare Program Predicted to Remain Solvent Through 2030

#### *Trustees Report Indicates 2017 IBAP Trigger*

Action from the Independent Payment Advisory Board (IPAB) could be triggered as early as 2017, based on projections included in the Trustee’s annual report on the solvency of the Medicare program issued last week. IPAB would become fully implemented if Medicare spending growth exceeds a threshold level as established by the Affordable Care Act (ACA), and the panel of appointed officials would then be required to recommend cuts to the program. If the projections in the Trustee’s report are correct, IPAB would be responsible for cutting 0.1 percent from the program. Last year’s Trustee’s Report projected that IPAB would not be triggered until 2023. The House of Representatives voted to repeal IPAB earlier this year. The report also estimates that Medicare spending per beneficiary increased by 2.3 percent in 2014, a small increase compared to historic standards but an increase from the historically low growth of the past two years. This increase could be attributed to the rising cost of outpatient care and a 10.9 percent increase in drug costs, which includes the expense of new hepatitis C breakthrough treatments. The trustees predict that per-beneficiary spending will drop back to a one percent increase in the year 2015, followed by four straight years of rising costs with a peak of a 5.3 percent increase in 2019. The Trustee’s Report indicates that the Medicare Hospital Insurance (Part A) Trust Fund will not be able to meet all obligations beginning in 2030, the same year as predicted in last year’s report, but 13 years later than was projected before the passage of the ACA.

At this point in time, the payroll tax that finances Medicare revenues would be sufficient to fund 86 percent of the program’s obligations. According to the report, changing demographic trends – the aging of the baby boomer population – are the driving force behind Medicare’s insolvency problem. The program’s trust fund only pays for Medicare Part A, while the remaining parts of the program are paid for primarily through general fund revenues. Medicare Part B is expected

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to remain adequately funded. The Trustee's Report also estimates that the number of beneficiaries covered by private plans has increased significantly in recent years. In 2014, 30 percent of beneficiaries opted for a Medicare Advantage (MA) plan, up from 12.8 percent 10 years earlier. This percentage will reach 35 percent by 2022. Nearly 52 million beneficiaries were covered under Medicare as of last year and total program spending reached \$613.3 billion, representing 3.5 percent of the country's gross domestic product (GDP). The trustee's projections do not take into account changes in payment models being implemented by the U.S. Department of Health and Human Services (HHS) aimed at improving quality of care and reducing costs.

### ***PCHETA Introduced in the House Last Week***

**T**he Palliative Care and Hospice Education and Training Act (PCHETA) was introduced by Rep. Eliot Engel (D-N.Y.) and Rep. Tom Reed (R-N.Y.) last week. The bipartisan legislation is aimed at improving palliative care and hospice workforce development, as well as strengthening palliative care awareness and research. The legislation builds on the PCHETA legislation introduced during the 113th Congress resulting in a comprehensive piece of legislation that addresses gaps in palliative care and hospice training, increases palliative care education and awareness, and encourages the National Institutes of Health (NIH) to strengthen and intensify research in this area. Senator Tammy Baldwin (D-Wisc.) plans to introduce companion legislation.

### ***Ebola Drug Development Advanced by HHS***

**T**he U.S. Department of Health and Human Services (HHS) has provided \$19.8 million to the Center for Innovation in Advanced Development and Manufacturing (CIADM) to support the development of a new Ebola drug. Under the task order, Emergent BioSolutions will begin advanced development and manufacturing activities for an experimental monoclonal antibody drug. The program will be overseen by HHS' Biomedical Advanced Research and Development Authority (BARDA). The drug being developed is similar to ZMapp, the treatment that was given to several aid workers during the worst of the Ebola outbreak last year. This new experimental drug uses a combination of the same three monoclonal antibodies as ZMapp, but is produced using special mammalian cells rather than tobacco plants. This will allow the drug to be produced more quickly than ZMapp, and provide more of the drug for clinical studies and eventually potential stockpiling, according to HHS.

### ***PCORI to Expand PCORnet***

**T**he Board of Governors for the Patient-Centered Outcomes Research Institute (PCORI) has approved \$142.5 million to advance the development and expansion of the National Patient-Centered Clinical Research Network (PCORnet). PCORnet is aimed at enhancing the nation's capacity to conduct patient-centered health outcomes research more quickly, less expensively, and with greater impact than is currently possible. The initiative links researchers, the patient community, clinicians, and health systems to harness the power of big data maintained by PCORI partner networks. Through the use of standardized data sets, PCORnet links health information for large multi-network studies, both randomized and observational, and research partnerships between 13 Clinical Data Research Networks (CDRNs) and 21 Patient-Powered Research Networks (PPRNs). Additional funding will help add seven health data networks to this initiative, which currently has 27 networks participating in its first development phase. The new networks must focus on Alzheimer's disease and dementia, autism spectrum disorders, obesity, Parkinson's disease, behavioral health disparities among low-income populations, and health disparities among sexual and gender minorities. The complete partner networks now cover more than 150 conditions and various population groups.

### ***GAO Report Finds Medicare Provider Fraud***

According to a new **report** from the Government Accountability Office (GAO), many Medicare providers are using false addresses to receive Medicare reimbursements. The report finds that 23,400 of the 105,234 Medicare practice location addresses are potentially ineligible for reimbursements. The GAO's audit also revealed that 460 providers in the Centers for Medicare and Medicaid Services (CMS) Medicare database were deceased, and 38 of these providers received Medicare payments for services performed after their death. Furthermore, GAO found that 16 providers were able to receive significant Medicare payments even though they were already banned from participating in federal health programs. In its report, GAO also outlines additional problems with CMS's verification of physician licensure status.

### **Upcoming Congressional Meetings and Hearings**

**POSTPONED: House Energy and Commerce Oversight and Investigations Subcommittee: hearing titled "An Overdue Checkup: Examining the ACA's [Affordable Care Act] State Insurance Marketplaces;" 9:15 a.m., 2123 Rayburn Bldg.**

**House Ways and Means Health Subcommittee: hearing to discuss rural health care disparities created by Medicare regulations; 10:00 a.m., 1100 Longworth Bldg.; July 28**

**House Energy and Commerce Oversight and Investigations Subcommittee: hearing titled "Continuing Concerns with the Federal Select Agent Program: Department of Defense Shipments of Live Anthrax;" 10:00 a.m., 2123 Rayburn Bldg.; July 28**

**House Energy and Commerce Committee: opening statements on markup to consider pending legislation, including HR 1725 — National All Schedules Prescription Electronic Reporting Reauthorization Act; 5:00 p.m., 2123 Rayburn Bldg.; July 28**

**House Energy and Commerce Committee: markup to consider pending legislation, including HR 1725 — National All Schedules Prescription Electronic Reporting Reauthorization Act; 10:00 a.m., 2123 Rayburn Bldg.; July 29**

**Senate Special Aging Committee: field hearing titled "Celebrating Medicare: Strengthening The Program For The Next 50 Years;" 12:00 p.m., Five Star Senior Center, 2832 Arsenal Street, St. Louis, Mo.; July 31**

## Health Legislation Recently Introduced

**H.R. 3119** (PALLIATIVE CARE), to amend the Public Health Service Act to increase the number of permanent faculty in palliative care at accredited allopathic and osteopathic medical schools, nursing schools, social work schools, and other programs, including physician assistant education programs, to promote education and research in palliative care and hospice, and to support the development of faculty careers in academic palliative medicine; ENGEL; to the House Committee on Energy and Commerce; July 21

**H.R. 3122** (VA), to amend title 38, United States Code, to direct the Secretary of Veterans Affairs to enter into a contract with a non-government entity for the conduct of biannual audits of Department of Veterans Affairs health care functions, and for other purposes; HURT; to the House Committee on Veterans' Affairs; July 21

**S. 1810** (PPACA), to apply the provisions of the Patient Protection and Affordable Care Act to Congressional members and members of the executive branch; VITTER; to the Committee on Homeland Security and Governmental Affairs; July 21

**H.R. 3171** (FETAL TISSUE), to amend the Public Health Service Act to prohibit certain research on the transplantation of human fetal tissue obtained pursuant to an abortion; SENSENBRENNER; to the Committee on Energy and Commerce; July 22

**S. 1830** (PART B), to amend title XVIII of the Social Security Act to provide for the coverage of marriage and family therapist services and mental health counselor services under part B of the Medicare program, and for other purposes; BARRASSO; to the Committee on Finance; July 22

**S. 1849** (MEDICARE CONTRACTING), to amend title XVIII of the Social Security Act to establish a Medicare payment option for patients and eligible professionals to freely contract, without penalty, for Medicare fee-for-service items and services, while allowing Medicare beneficiaries to use their Medicare benefits; MURKOWSKI; to the Committee on Finance; July 23

**S. 1852** (HEALTH INSURANCE), to amend title XIX of the Social Security Act to ensure health insurance coverage continuity for former foster youth; CASEY; to the Committee on Finance; July 23

**H.R. 3183** (VA), to amend the Veterans Access, Choice, and Accountability Act of 2014 to expand and make permanent the Veterans Choice Program, and for other purposes; JOLLY; to the Committee on Veterans' Affairs; July 23

**H.R. 3184** (HSA), to amend the Internal Revenue Code of 1986 to permit the medical expenses of dependents who have not attained age 26 to be paid from a health savings account; LAWRENCE; to the Committee on Ways and Means; July 23

**H.R. 3200** (VA), to authorize the Secretary of Veterans Affairs to transfer unobligated amounts previously made available to the Department of Veterans Affairs to the medical accounts of the Department to improve the furnishing of health care to veterans; BROWN; jointly, to the committees on Veterans' Affairs and Appropriations; July 23

**H.J.Res. 61** (TRICARE/VA), amending the Internal Revenue Code of 1986 to exempt employees with health coverage under TRICARE or the Veterans Administration from being taken into account for purposes of determining the employers to which the employer mandate applies under the Patient Protection and Affordable Care Act; DAVIS; jointly, to the committees on Ways and Means and the Budget; July 23

**H.Res. 378** (OVARIAN CANCER), expressing support for the designation of September 2015 as "National Ovarian Cancer Awareness Month"; ISRAEL; to the Committee on Oversight and Government Reform; July 23