

PENN Medicine

Government Relations Update

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Medical Liability

Joint and Several Liability vetoed by Governor. Governor Rendell recently vetoed Senate bill 435, the Fair Share Act. The bill would have reenacted joint and several liability reform and minimized hospitals and businesses as “deep pockets” in liability lawsuits. By vetoing the legislation, the Governor broke a promise he had made during his first election campaign. Medical Liability is expected to be an election issue this year.

Mcare Commission meets for first time. Last week, the Mcare commission met for the first time. The commission was established by legislation and is charged with reviewing the Mcare Fund’s unfounded liability and recommending methods of addressing future unfounded liabilities. Several members of the commission stressed the need for continuation of the Mcare abatement program as necessary to maintain access to medical care. The next meeting is scheduled for May 25th. The commission plans to finalize their recommendations on November 8th.

Federal

FY 2007 Budget stalls in House. On April 6th, after weeks of negotiations, House Republican leadership decided to delay further action on the FY 2007 Budget

Resolution until after the Easter recess. Leadership decided to pull the Budget Resolution when it could not craft a compromise between three factions within the Republican Party. The House adjourned April 6th and is expected to return to Washington on April 25th.

House Republicans circulate letter opposing Medicaid cuts. Earlier this month Representatives Cliff Stearns (R-FL), Peter King (R-NY), Dave Reichert (R-WA), Rob Simmons (CT), circulated a House Republicans – only sign-on letter to Secretary of Health and Human Services Michael Leavitt. The letter opposes the President’s FY 2007 budget proposals to cut \$12.2 billion in Medicaid funding over five years through regulatory changes.

CMS releases 2007 Inpatient PPS Proposed rule ~ comments due June 12th.

Key provisions in the rule include:

Diagnosis-related Group (DRG) Changes – CMS proposes major changes in the calculation of DRG relative weights by using hospital specific relative values and a modified version of costs instead of charges.

Payment update – The rule proposes a market basket update of 3.4 percent for those hospitals that submit data on the previously required ten quality measures and pledge to report on 21 anticipated

measures starting calendar year 2006.

Outliers – The rule would raise the outlier threshold from its current level of approximately \$23, 600 to \$25, 530, even though CMS did not spend all the money set aside for outlier payments in fiscal year 2006.

Wage Index – The rule incorporates the expiration of Section 508 of the Medicare Modernization Act (MMA) of 2003, which was a one-time geographic reclassification opportunity for hospitals that meet certain criteria.

Medicare Dependant Hospitals (MDH) – The rule would implement the provision in the MMA that not only reauthorized the MDH program, but also added 2002 as an allowable base year, increased payments from 50 percent to 75 percent of the difference between the PPS payments and the hospital-specific rate, and removed the 12 percent disproportionate share hospital (DSH) cap.

The rule is expected to be published in the April 25th Federal Register. Comments will be accepted until June 12th.

State

House passes budget, restoring hospital Medicaid funds. Earlier this month, the House of Representatives passed its version (House Bill 2499) of the 2006-2007 budget. The House's version of the budget is smaller than the Governor's with spending at \$25.3

billion. Dozens of amendments were also approved in addition to the budget by a vote of 184-14.

The budget includes restoration of the Governor's Medicaid budget cuts to hospitals. Also incorporated is a 4 percent increase in Medicaid payments for fee-for-service and supplemental payments to hospitals. HB 2499 will now go to the Senate for consideration. While we were pleased to see these amendments included in the House version of the budget, the true negotiations that will bring the final budget resolution to the table have yet to begin. Further negotiations and final action on the budget is not expected until after the May 16th primary.

If you would like a copy of the most recent listing of RFAs, notices, and program announcements relating to federal research funding opportunities prepared by the University Office of Government and Community Affairs, please email Shelly at Kryciam@uphs.upenn.edu.

If you have any questions or need additional information, please contact PENN Medicine Government Relations.

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