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Customized Briefing for Kimberly Barry-Curley

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Leading the News

Survey finds Medicaid enrollment grew more than forecast in several states.

The [New York Times](#) (10/1, Sack) reports that, according to a [survey](#) by the Kaiser Family Foundation's Commission on Medicaid and the Uninsured, the "recession is driving up enrollment in Medicaid at higher than expected rates, threatening gargantuan state budget gaps even as Congress and the White House seek to expand the" program. The survey "found that the program had been spared the worst effects of massive state budget shortfalls because of federal aid in the stimulus package. But, it also revealed grave concerns about what will happen when that relief dries up at the close of 2010."

The [AP](#) (10/1, Murphy) explains that the survey of state Medicaid directors found that "a total of 29 states said they would have cut eligibility without the stimulus help, and 36 said the money helped them avoid benefits cuts." But even with stimulus funds, "33 states cut or froze provider reimbursement rates, and 39 are expected to do so in fiscal year 2010."

[CQ Today](#) (10/1, Wayne, subscription required) notes that "states reported to Kaiser that enrollment in Medicaid grew by an average of 5.4 percent in fiscal 2009, the highest rate in six years, according to the report. Spending, meanwhile, grew by 7.9 percent; the government had projected 5.8 percent growth in spending."

According to [Reuters](#) (10/1, Lambert), healthcare reform would add to states' burdens. The study said, "It is highly likely that federal healthcare reform, if successful will build on existing state Medicaid programs, potentially resulting in new fiscal and administrative challenges for states." The [Baltimore Business Journal](#) (10/1, Dash) also covers the story.

GAO finds "thousands" of potentially fraudulent Medicaid purchases. [CQ HealthBeat](#) (10/1, Norman, subscription required) reports that a GAO "analysis has found thousands of Medicaid beneficiaries involved in potentially fraudulent purchases of controlled substances in five large states -- including prescriptions filled for some 1,800 people who had already died." The investigation "also found Medicaid in those states paid about \$500,000 in claims based on controlled substance prescriptions 'written' by physicians after their deaths." The report was issued to the Senate Homeland Security and Governmental Affairs Committee on Wednesday. Committee member Sen. Thomas R. Carper (D-DE) said, "It is clear that the Centers for Medicare and Medicaid Services need to do a better job of providing guidance and regulatory enforcement for the states. ... At the same time, states need to take greater responsibility for preventing and rooting out fraud, waste and abuse from their own backyards."

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Finance Committee votes down GOP health reform amendments on immigration, abortion.

The [AP](#) (10/1, Espo) reports, "A White House-backed overhaul of the nation's healthcare system weathered repeated challenges from Republican critics over taxes, abortion, and more on Wednesday, and the bill's architect claimed enough votes to push it through the Senate Finance Committee as early as week's end." The AP notes that Republicans "failed in attempts to require applicants for federal health programs to furnish photo identification as proof of eligibility, an issue that dealt with illegal immigrants. Sen. Charles Grassley (R-IA) said the goal was to prevent fraud, but Bob Menendez (D-NJ) objected that the proposals went beyond a required birth certificate required as proof of citizenship."

The [Washington Post](#) (10/1, Montgomery, Connolly) reports that the "defeated GOP amendments, aimed at strengthening limits on abortion coverage and medical services for illegal immigrants, [are] emotional issues that could complicate final passage of a bill, particularly in the House." The Post adds that "an influential group of conservative House Democrats threatened to hold up the legislation if it does not guarantee that no government money is spent on abortion." The [New York Times](#) (10/1, A21, Pear) notes that "the 13-to-10 vote followed party lines, with two exceptions. Senator Kent Conrad, Democrat of North Dakota, voted for the restrictions. Senator Olympia J. Snowe, Republican of Maine, voted against them." The [Wall Street Journal](#) (10/1, Hitt, subscription required), the [Washington Times](#) (10/1, Haberkorn), and [Reuters](#) (10/1, Smith, Whitesides) also report on the abortion vote.

Finance Committee Democrats pledge to revisit "Cadillac" insurance plan tax. [Bloomberg News](#) (10/1, Gaoette, Donmoyer) reports that Senate Finance Committee Democrats on Wednesday "pledged to find a way to shield even more retirees and union workers from a tax on the most expensive healthcare plans." The so-called "Cadillac" tax was discussed at the request of Sen. John Kerry (D-MA), "who proposed the tax in July. Kerry said he was concerned that the levy, already modified once by [Finance Committee Chairman Max] Baucus (D-MT), would still affect too many people."

The [Washington Post](#) (10/1, Richburg), however, reports that "a fundamental challenge has emerged" in the debate concerning Cadillac plans: "Few people agree on exactly what constitutes a Cadillac plan." According to the Post, both plush insurance plans held by "the titans of Wall Street finance and industry," as well as "generous health benefits that many union workers receive" fall under many definitions of the Cadillac plan. Still, "some analysts of healthcare policy and taxation have long argued that the current tax exclusion for employer-paid premiums unfairly benefits those with higher incomes, while not helping those whose jobs do not provide coverage."

Government healthcare rationing said to be more dangerous than insurers' rationing.

In an op-ed in the [Wall Street Journal](#) (10/1, subscription required), Scott Gottlieb, American Enterprise Institute fellow and former CMS official, writes that while President Obama usually points to healthcare rationing by insurers when concerns about government health rationing arise, the government's rationing of healthcare is more convoluted and indirect than insurers'. He points to Medicare pricing schedules, which are used to manage costs. When applied to widely-used devices, these schedules can cause underuse of important technologies, costing lives in the process. Private insurers, Gottlieb argues, are subject to competition so they do not have these problems.

Raising alcohol taxes could help pay for health reform, experts argue.

In an op-ed in the [Washington Post](#) (10/1), Dr. Lloyd I. Sederer, medical director for the New York State Office of Mental Health, and Eric Goplerund, director of the Center for Integrated Behavioral Health Policy, advocate taxing alcohol sales to pay for health reform. They note the health and safety dangers of drinking, writing, "research indicates that a 10 percent increase in current alcohol excise taxes...would result in less drinking, especially among underage drinkers, reducing rape, robbery, domestic violence and liver disease. A tax increase of 3 cents per beer would cut youth gonorrhea by 9 percent." They argue that "equalizing the tax among beer, wine and spirits, without inflation, would raise \$60 billion over 10 years" which could "pay for healthcare for the uninsured and budget-busting state Medicaid expenditures."

Health reform may not reduce costs. [Roll Call](#) (10/1, Kondracke, subscription required) reports, "The good news about

healthcare reform is that, if it passes, the ranks of the uninsured will be reduced. The bad news is that reducing the surging cost of healthcare in the United States will remain iffy, at best." That is because, "even with reform, the nation's total outlays for healthcare -- currently 17 percent of gross domestic product -- will continue to soar, and so will federal health spending and insurance premiums." And, although the "Obama White House promised reform would 'bend the curve' of health spending -- now growing 3 percent a year faster than the economy" -- proposals "pending in Congress contain no guaranteed cost-containment measures such as a global budget, or national lid, on health spending."

WPost says both Obama, Republicans guilty of misleading on Medicare cuts.

The [Washington Post](#) (10/1) editorializes, "President Obama is wrong when he says that his health-reform proposals would not affect benefits received by seniors. Republicans are hypocritical when they assail the proposed changes and portray themselves as the defenders of Medicare against Democrats' predations." Obama is inaccurate, according to the Post, when he said that his Medicare Advantage cuts would end "unwarranted subsidies in Medicare that go to insurance companies." While that's partly true, a "significant" amount of the funds also go "into added benefits." Likewise, Republicans have misled by overestimating how much would be cut from Medicare plans, and by not acknowledging their own efforts to cut Medicare spending in 1995 and 1997.

Group of House Democrats seeks coverage for illegal immigrants.

[AFP](#) (10/1) reports, "A group of Democratic lawmakers is breaking ranks by seeking coverage for immigrants under a new US health plan, saying their exclusion was short-sighted and would raise costs in the long run." AFP adds that the group is "led by Representative Mike Honda (D-CA) Mike Honda, who heads the Asian American caucus." The group opposes "plans to prohibit illegal immigrants from buying insurance in any revamped national healthcare plan."

Public Health and Private Healthcare Systems

Audit reveals many Massachusetts businesses not providing health coverage for employees.

On its front page, the [Boston Globe](#) (10/1, A1, Lazar) reports, "Audits of select Massachusetts businesses suggest that a substantial number may not be providing workers the health coverage required by the state's landmark 2006 insurance law." Investigators focused on "employers that provided incomplete or inconsistent information to the state in earlier reports," finding that of "426 companies audited so far, 172, or 40 percent, had violated the law's requirement that most employers contribute a portion of their workers' insurance premiums or pay a penalty." The state said that "those companies owed an additional \$5 million." For their part, "business leaders say the audit results do not paint an accurate picture of compliance or of companies' good-faith attempts to play by the rules." They said that the "rules are so confusing that many employers are having a hard time understanding what is required of them."

BCBS Illinois launches medical home pilot programs.

The [Chicago Tribune](#) (10/1, Japsen) reports that BlueCross and BlueShield (BCBS) of Illinois is "the latest health insurer to launch programs that involve medical homes." The insurer, last month, "rolled out pilot programs with Pronger Smith Medical Care and Elmhurst Clinic, Chicago-area doctor groups that have both primary care physicians and specialists." BCBS Illinois "said doctors will see higher payments than what a primary care physician is paid for a traditional visit to the doctor's office. Doctors are paid more because medical homes are intended to provide patients with higher-quality care, including specialized services" at a doctor's office, "where costs are lower than at a hospital." In addition, patients "are encouraged to maintain" close relationships "with the medical home in an effort to keep them out of hospitals." More than "20,000 Illinois" BCBS members "will participate in the pilots."

Sebelius announces \$40 million in CHIP, Medicaid grants.

On Wednesday, Sebelius awarded the North Carolina Pediatric Society Foundation "\$678,210 in federal funds to locate and enroll children who don't have health insurance but are eligible for either Medicaid or" CHIP, [MSN](#) (9/30) reported. The award "is part of \$40

million in grants to 69 organizations in 41 states," Sebelius announced Wednesday.

The [Tampa Bay Business Journal](#) (9/30) noted that the University of South Florida "was awarded \$988,177 from the US Department of Health and Human Services as part of a program to find and enroll children who are uninsured but eligible for either Medicaid or the Children's Health Insurance Program." USF's award "was among the largest...nationwide."

Six hospitals settle Medicare fraud allegations for over \$14 million.

The [AP](#) (9/30) reported, "Three Indiana hospitals have agreed to pay the federal government a total of about \$6.1 million to settle allegations that they overcharged Medicare for procedures." The payments "will resolve a lawsuit claiming the hospitals deliberately overcharged Medicare for a routine back surgery by keeping patients overnight and classifying the surgery as inpatient," the US Department of Justice said.

In addition to the three Indiana hospitals, "three in Alabama...have agreed to pay the federal government \$8.3 million" as part of the settlement, the [Indianapolis Business Journal](#) (9/30) reported. Together, "the six hospitals make up the second group to settle charges stemming from the lawsuit." Three hospitals in Minnesota "paid the federal government a total of nearly \$2.3 million" to settle the case in April.

Judge orders Pharmacia to pay \$4.5 million in Medicaid fraud case.

The [AP](#) (10/1, Richmond) reports, "A judge on Tuesday imposed \$4.5 million in forfeitures on prescription drug company Pharmacia, Inc. for misrepresenting prices and defrauding Wisconsin's Medicaid system." In February, a jury "found that Pharmacia violated the state's Medicaid fraud law 1.44 million times over a decade." The "state Justice Department attorneys had demanded about \$212 million in forfeitures, but" the judge ruled that the "jurors grossly overcalculated the number of violations." The judge said that "the jury's finding of 1.44 million violations, each punishable with \$100 to \$15,000 forfeitures, was clearly wrong. After reviewing the evidence, the judge found the actual tally was 4,578." He "set the forfeiture level at \$1,000 per violation," adding that "he was concerned that if he ordered the maximum \$68.6 million, Pharmacia would pass the expense to consumers."

Minnesota AG sues two companies for alleged health insurance fraud.

The [AP](#) (10/1, Bakst) reports that the Minnesota Attorney General's office "sued Home Health America, of Nevada, and Consumer Health Benefits, of Florida" for alleged "health insurance scams." Court documents say that "Home Health America charged a lump sum of \$3,000 to \$4,000 to seniors, some of whom were never able to access the nursing care they were told of and others whose reimbursement for care ended after a few months."

Meanwhile, Consumer Health Benefits is accused of telling "customers over the phone that its 'New Choice Health Plan' was an insurance plan or 'just like health insurance,' covering 80 percent of medical expenses," when in reality, the plan was "a discount program that offers a '30 percent discount' from participating doctors," the [Minnesota Star Tribune](#) (10/1, Lerner) reports.

Senior Market News

Indiana nursing-home industry seen as divided over proposed Medicaid rate change.

The [AP](#) (10/1, Kusmer) reports that a proposed rule by Indiana Division of Aging "to change Medicaid rates to nursing homes to reward quality care" has divided the nursing-home industry. Under the proposed rule, "rate increases for the best nursing homes would nearly double from \$3 per Medicaid patient per day to \$5.75," while "those with the worst scores on annual State Department of Health surveys would lose the rate increases that the quality assessment fee created." This proposal, which is supported by "advocates for seniors," as well as "some nursing homes and developers of assisted-living apartments," faces opposition from "some nursing home executives," who "said the rule change is moving too fast, needs a broader assessment of quality and, as proposed, would reduce the amount of money they spend in their communities."

Also in the News

Coalition says Virginia cannot afford to wait for federal health reform.

The [Richmond \(VA\) Times-Dispatch](#) (10/1, Martz) reports, "Virginia doesn't need to wait for comprehensive healthcare reforms to expand care for children and working parents," asserts Healthcare for All Virginians, a "coalition of almost 60 healthcare organizations." The coalition "decried the state's low ranking in providing healthcare insurance." Virginia currently ranks "48th in the country" in Medicaid spending; and Virginians "pay a higher share of work-based health insurance premiums, at 24 percent, than residents of any state in the country," according to statistics released by the coalition. Moreover, more than "1-million Virginians are uninsured, even though 600,000 of them have full-time jobs." The coalition is urging "state lawmakers to take advantage of a new" federal law that would "provide \$111 million to Virginia over two years to insure more children" under SCHIP.

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