

Issue Brief

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KEY POINTS

- The budget includes an adjustment totaling \$371 billion throughout 10 years (FY 2011 to FY 2020) to reflect the administration's best estimate of future congressional action. These estimates are based on what Congress has done in recent years for physician payments.
- The FY 2011 budget includes a proposal to extend by six months the temporary increased Federal Medical Assistance Percentage that was first provided by the American Recovery and Reinvestment Act.

President Sends FY 2011 Budget to Congress; HHS Releases Medicare and Medicaid Details

The president has delivered his fiscal year 2011 budget to Congress, and the U.S. Department of Health and Human Services has released the details of the budget affecting the various agencies and organizations within the department. A copy of the 114-page document is available online at www.hhs.gov/asrt/ob/docbudget/2011budgetinbrief.pdf.

The president's FY 2011 HHS budget totals \$911 billion in outlays, an increase of \$51 billion from FY 2010. The budget proposes \$81 billion in discretionary budget authority, an increase of \$2.3 billion from FY 2010 on a comparable basis.

The FY 2011 budget request for the Centers for Medicare & Medicaid Services is \$784.3 billion in mandatory and discretionary outlays, a net increase of \$48.3 billion from the FY 2010 level. This request finances Medicare, Medicaid, the Children's Health Insurance Program, program integrity efforts and operating costs.

It is difficult to follow the numbers inasmuch as some items are reported as gross outlays and others are shown as net of offsetting receipts, such as Part B premiums.

Medicare benefits net of offsetting receipts are reported to total \$475.9 billion while Medicaid net of offsetting receipts are reported to total \$271.4 billion.

MEDICARE

The budget notes that outlays for Medicare Part A are estimated at \$193 billion, Part B at \$154 billion, Part C at \$132 billion and Part D at \$72 billion.

PHYSICIAN PAYMENTS

The budget includes an adjustment totaling \$371 billion throughout 10 years (FY 2011 to FY 2020) to reflect the administration's best estimate of future congressional action. These estimates are based on what Congress has done in recent years for physician payments. Based on past actions, Congress is likely to prevent physician payments under the sustainable growth rate from imposing negative rates-of-increases. However, this adjustment does not appear to signal a specific administration policy.

HEALTH CARE FRAUD AND ABUSE CONTROL FUNDING

The FY 2011 budget proposes to continue program funding for health care fraud and abuse control through both mandatory and discretionary funding

continued

4712 Country Club Drive
Jefferson City, Mo. 65109

P.O. Box 60
Jefferson City, Mo. 65102

573/893-3700
www.mhanef.com



streams. The FY 2011 HCFAC program level is more than \$1.7 billion; this is \$250 million more than in FY 2010. Of this total program level, approximately \$1.2 billion is mandatory and \$561 million is requested in discretionary funding.

The \$561 million will be allocated as follows.

- Medicare — \$328.4 million
- Medicaid — \$47.7 million
- U.S. Department of Justice — \$90.0 million
- Office of Inspector General — \$94.8 million

Establish a CMS-Internal Revenue Service Data Match to Identify Fraudulent Providers

- authorize CMS to work collaboratively with the IRS to determine which providers have not filed federal tax returns to help identify potentially fraudulent providers sooner. The data match will primarily target certain high-risk provider types in high vulnerability areas. (effective CY 2013)

Extrapolate Medicare Advantage Plan Sample Error Rate to Entire Plan Payment in Risk Adjustment Audits

- clarify, in statute, that CMS can extrapolate the error rate found in the risk adjustment validation (RADV) audits to the entire Medicare Advantage plan payment for a given year when recouping overpayments (effective calendar year 2011)

Track Drug Utilizers and Prescribers to Reduce Overutilization under Medicaid

- require states to monitor and remediate high-risk billing activity, not just claims limited to high volume, to improve Medicaid integrity and beneficiary quality of care. States may choose one or more drug classes and must develop or review and update their care plan to reduce utilization and remediate any preventable episodes of care where possible. (effective FY 2011)

ADMINISTRATIVE PROPOSALS

Consolidate Medical Review

- consolidate medical review activities into fewer Medicare Administrative Contractors to promote efficiency and encourage consistency in reviewing and paying Medicare claims

continued

The budget includes seven new legislative and administrative proposals to fight Medicare and Medicaid fraud and abuse, saving almost \$14.7 billion throughout 10 years, \$13 billion through proposed legislation and \$1.7 billion through administrative policies.

NEW PROGRAM INTEGRITY PROPOSALS

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LEGISLATIVE PROPOSALS

Modify Medical Review Limitations

- modify existing statutory provisions that currently limit random medical review and place statutory limitations on the application of Medicare prepayment review (effective calendar year 2011)

Consolidate Medicare Provider Enrollment Activities

- create a limited number of MACs to carry out provider enrollment. Each contractor would enroll providers for designated regions of the country, standardizing the process and creating efficiencies.

Expand Medicare Revocations for Abuse of Billing Privileges

- allow CMS to revoke Medicare billing privileges in response to abusive billing practices, such as instances where the provider claims to have provided a service or supply, but the beneficiary and/or physician attest that they did not receive and/or prescribe the service

MEDICAID

Medicaid enrollees are expected to number 56.1 million in FY 2011, up from 54.6 million in 2010.

To protect Medicaid access for low-income families and provide additional fiscal relief to states to support their Medicaid programs, the FY 2011 budget includes a proposal to extend by six months the temporary increased Federal Medical Assistance Percentage that was first provided by the American Recovery and Reinvestment Act. The increased FMAP rate would be provided to states through June 30, 2011. This item will cost \$25.4 billion.

NOTE

As in past years, most presidential budgets are viewed only as a starting point. Congress has the final say in setting goals and appropriations.

The information contained in the president's HHS budget material includes the budgets for the following agencies and services.

- Food & Drug Administration
- Health Resources and Services Administration
- Indian Health Service
- Centers for Disease Control and Prevention
- Substance Abuse and Mental Health Services Administration
- Agency for Healthcare Research and Quality
- Administration for Children and Families
- Office of the National Coordinator
- Medicare hearings and appeals
- departmental management
- prevention and wellness
- Public Health Social Service Emergency Fund
- Office of Inspector General
- program support center (retirement pay, medical benefits, miscellaneous trust funds)

*Analysis provided for MHA
by Larry Goldberg,
Goldberg Consulting*

