

## Kaiser Report 26 Oct 2005

### Capitol Hill Watch | Senate Finance Committee Approves FY 2006 Appropriations Bill With \$10B in Medicaid, Medicare Cuts

[Oct 26, 2005]

The [Senate Finance Committee](#) on Tuesday voted 11-9 along party lines to approve a fiscal year 2006 budget reconciliation package that would reduce Medicaid and Medicare spending by \$10 billion over five years, *CQ Today* reports. An estimated \$4.3 billion in net savings would come from Medicaid, with the remaining \$5.7 billion coming from Medicare. The package would:

- Revise the formula Medicare uses to reimburse pharmacists for drug costs by basing the calculations on the average manufacturer price instead of the published average wholesale price for a savings of \$6.3 billion;
- Eliminate a "stabilization fund" created under the 2003 Medicare law intended to encourage health plans' participation in the program (Schuler, *CQ Today*, 10/25);
- Increase Medicaid rebates paid to the federal government by pharmaceutical companies from 15.1% to 17% for brand-name drugs and from 11% to 17% for generic drugs for a savings of \$1.4 billion (Rogers, *Wall Street Journal*, 10/26);
- Make podiatrists eligible for Medicaid reimbursement; and
- Increase federal Medicaid funding for Alaska and states affected by Hurricane Katrina, with \$1.8 billion going toward health care for hurricane survivors (Heil, *CongressDaily*, 10/25).

#### Failed Amendments

Republicans blocked 14 amendments proposed by Democrats before approving the reconciliation package. The failed amendments included:

- A measure by Sen. Max Baucus (D-Mont.), the committee's ranking member, that would have authorized the [Federal Emergency Management Agency](#) to assume health care costs for Katrina survivors, which was ruled out of order by Finance Committee Chair Chuck Grassley (R-Iowa) because FEMA is not under the committee's jurisdiction (Hess, *CongressDaily*, 10/26);
- A measure by Baucus that would have funded health care costs for Katrina survivors through offsets from other programs under the committee's jurisdiction (*CQ Today*, 10/25);
- A measure by Sen. Blanche Lincoln (D-Ark.) that would have provided Medicare coverage for Katrina survivors with annual incomes up to 100% of the federal poverty level, pregnant women and children in families with incomes up to 200% of the poverty level and disabled people with incomes up to 300% of the poverty level; and
- A measure by Lincoln that would have created an \$800 million fund to reward physicians, nurses and medical techs who helped care for sick and injured people affected by Katrina.

## Reaction

Grassley "acknowledged that some of his own party's colleagues ... had reluctantly gone along with what they considered to be an inadequate bill simply to move the reconciliation process forward," *CongressDaily* reports (*CongressDaily*, 10/26). Sen. Jon Kyl (R-Ariz.) said, "We were supposed to use this process to reform Medicaid, and we've missed that opportunity." Sen. Orrin Hatch (R-Utah) "lashed out" against the provision in the package that would eliminate the stabilization fund under the 2003 Medicare law, according to *CQ Today* (*CQ Today*, 10/25). Baucus said the \$1.8 billion in health care funding for Katrina survivors would not "provide (Medicaid) coverage for tens of thousands of evacuees who are ineligible," adding, "It does not relieve the plight that the Gulf Coast states, especially Louisiana, face" (*CongressDaily*, 10/26). Despite an assurance from Grassley that the \$1.8 billion would be "just a down payment" on health care funding for Katrina survivors, Baucus said, "I am afraid that the Senate, absent what we do in this committee, will not take up health-related Katrina relief" (*CongressDaily*, 10/25).

## Outlook

The Finance Committee's package will now go to the [Senate Budget Committee](#) for inclusion in the Senate's overall reconciliation package, which is scheduled for markup on Wednesday. *CQ Today* reports that support from Sens. Gordon Smith (R-Ore.) and Olympia Snowe (R-Maine) for the Finance Committee package "augurs well for passage on the floor" because their "opposition to trimming Medicaid had been considered a chief roadblock to passing the overall package" (*CQ Today*, 10/25). Senate Majority Leader Bill Frist (R-Tenn.), a committee member, said he had "reservations about the overall (reconciliation) package," adding, "It's my hope and expectation that the overall level of spending ... will be reduced as we move forward in the process" (*CongressDaily*, 10/26). Baucus said, "I am concerned about the fate of the bill," adding, "Although many of its policies are sound, I am not confident that most will survive a conference with the House" (Smith, [Reuters](#), 10/26).

## House Proposal

[House Energy and Commerce Committee](#) Chair Joe Barton (R-Texas) - whose panel has jurisdiction over Medicaid but not Medicare -- on Tuesday released cost estimates for his Medicaid reduction and hurricane relief [package](#). Net Medicaid savings would be about \$11 billion, and the bill would add \$2.5 billion in reimbursements for Medicaid costs of states affected by Katrina. The committee on Wednesday was scheduled to begin marking up the package (*CongressDaily*, 10/25). *CQ Today* reports that "the \$11 billion Medicaid spending cut all but guarantees a fierce fight in a conference committee" if the House Energy and Commerce Committee and the Senate Finance Committee bill both "emerge intact" (*CQ Today*, 10/25).

## Senate Conservatives' Plan

In related news, seven conservative Republican senators on Tuesday proposed a package totaling \$125 billion in spending cuts over two years to offset the cost of Hurricane Katrina. The package includes a measure that would raise Medicare costs for beneficiaries with annual incomes higher than \$80,000 for an individual or \$160,000 for a couple. Sen. John McCain (R-Ariz.), one of the group's leaders, said, "I am totally confident that the Republican base is upset and angry about the fiscal indiscipline that we practiced here in the Congress and the mortgaging of our children and our grandchildren's futures" (Dinan, [Washington Times](#), 10/26).

## FDA Waiver Plan

In other related news, lawmakers on Tuesday were close to an agreement on legislation that "would mandate disclosure by [FDA](#) of any waivers of conflicts-of-interest rules for people selected to serve on its advisory committees," the *Journal* reports. The legislation would

require FDA to publish all waivers on its Web site at least 15 days before an advisory panel meeting. Proponents of the measure said it would lead to more transparency and discourage waivers (*Wall Street Journal*, 10/26).

***NYT* Editorial**

House Republicans' "proposals would have the federal government -- supposedly the protector of the neediest -- give the states broad leeway to restrict current benefits; to require copayments by the poor for medicine and for care by doctors and emergency rooms; and to cut preventive care for children, who represent half of the Medicaid roll," a [\*New York Times\*](#) editorial states. The editorial adds that the "Senate approach is obviously preferable, but it is also rooted in the GOP's pre-election fiction that overspending is the basic problem" (*New York Times*, 10/26).