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Health Information Compliance Alert

INDUSTRY NEWS: BILL CONFEREES CONSIDER MEDICAID BENEFIT CUTS

Plus: Scrutiny of Medicare QIOs intensifies.

Just as the much-debated budget reconciliation bill is under consideration in the Senate, an influential hospital organization and a senator took a last stand against the legislation's provisions for Medicaid "benefit flexibility" and cost-sharing--and they won.

Many safety net providers and the patients they serve "would be especially at risk if states were to impose new cost-sharing on Medicaid recipients, make premiums and co-payments enforceable or provide reduced Medicaid benefits," the **American Hospital Association** wrote in a Dec. 12 letter to the chairmen of the Senate Finance Committee and the Energy and Commerce Committee.

According to the **Congressional Budget Office**, "three quarters of the House bill's Medicaid savings come from provisions that increase costs, cut benefits or impair access to services for low-income individuals," Sen. **Max Baucus** (D-MT) said in a Dec. 13 floor statement. Baucus offered a motion to instruct the legislation's conference committee members to turn down the budget reconciliation bill's cost-sharing and reduced benefits provisions.

Baucus, the Senate Finance Committee's ranking member, is opposed to his colleagues on the committee, including Chairman Sen. **Charles Grassley** (R-IA), who praised the bill. But Baucus says his motion to warn conferees will help "to set the record straight on Medicaid cuts."

"Taken together, these provisions could eliminate coverage for certain beneficiaries, increase uncompensated care for safety net providers and ultimately jeopardize the ability of patients to receive the full scope of needed services," the AHA warns.

And the Senate agreed. On Dec. 14, senators voted 75 to 16 in favor of Baucus' motion to warn budget reconciliation bill conferees not to produce a final report that increases Medicaid co-payments and skims benefits to save dollars.

The conference committee members (appointments pending) will create a single, final version of the House and Senate bills. Baucus' motion should help sway conferees to choose more Medicaid provisions from the Senate bill--which derives savings from curbing government overpayments to Medicare and Medicaid providers--than from the House bill.

Grassley Peers Down The QIO 'Rabbit Hole'

The boards of directors of several Medicare quality improvement organizations have come under fire for hefty travel expenses and exorbitant paychecks. Sen. Grassley's latest inquiry furthers his hard-hitting investigation into QIOs' effectiveness and costs to Medicare.

The Finance Committee Chairman began scrutinizing QIOs after a series of July 2005 articles in the Washington Post questioned whether they "limit patient access to medical information and have a more than cozy relationship with physicians," Grassley wrote in a recent letter to a New Jersey QIO called **PRONJ**.

When Grassley received information he requested from the **Centers for Medicare & Medicaid Services** about 15 QIOs' contracts, travel expenses, board compensation and performance audits, he asked PRONJ for additional information. Specifically, the senator questioned PRONJ about documents that revealed the QIO spent more than $100,000 on travel expenses to send its entire board of directors to the Cayman Islands and California for annual "retreats" in fiscal years 2003 and 2004.

"It is difficult to understand why an entire board would need to travel from New Jersey to the Grand Cayman to discuss improving quality of care for beneficiaries, but I am eager to receive your detailed and documented explanations," the senator writes.

Grassley also challenged PRONJ's average $25,000 compensation in FY 2003 for each of its board members. "This seems like an alarming sum considering the majority of national not-for-profit corporations do not pay their board members," he says.

The Chairman's other concerns include:

• PRONJ's 21-member board contains only one physician;

• The QIO had a "drastically low" number of beneficiary complaints from August 2004 to July 2005--only 106 complaints among the 1.2 million Medicare benes in New Jersey; and

• Despite evidence of CMS' success in cutting the Comprehensive Error Rate, the QIO error rate increased 8.3 percent over the past year--and PRONJ has the fifth highest improper payment amount among the QIOs, the recent CMS Error Report reveals.

Grassley asked PRONJ for a response to his letter, including additional information on these matters, by Dec. 29, 2005.

Part D Enrollees Could Save 47 Percent Annually

If benes who are eligible for the new Medicare prescription drug benefit manage to overcome complex plan-selection hurdles, they may realize an average annual savings of $1,741 or 47 percent, a new study claims.

Consumer group **Copay Solutions** obtained this data from a survey sample of 100 enrollees in 93 different zip codes throughout the United States. "We consider this to be a flash estimate of the potential effect of the Medicare drug program on the Medicare population and on the organizations offering prescription drug plan insurance products," Copay Solutions CEO **George D. Pillari** notes in a Dec. 12 statement.

Two primary complaints from enrollees included "the belief that the program was only for low-income citizens" and their difficulty in deciding on a plan due to an "overly complex" plan-selection process, the study finds.