



May 7, 2010

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## **Federal Legislative Update**

### **New AAP Fact Sheets on Health Reform Implementation**

The Academy has produced a series of new one-page fact sheets on health reform implementation and what it means for children and pediatricians. The fact sheets are now available on the main page of the AAP [Member Center](#) and on [FederalAdvocacy.aap.org](http://FederalAdvocacy.aap.org). Additional resources on health reform implementation will be added in the coming weeks.

### **SAMHSA National Children's Mental Health Awareness Day**

The Academy joined the Substance Abuse and Mental Health Services Administration (SAMHSA) and other partners to recognize National Children's Mental Health Awareness Day on Thursday, May 6. The day began with a Capitol Hill legislative briefing on the importance of children's mental health programs and concluded with an evening forum on early childhood mental health. **Judith T. Romano, MD, FAAP**, served as one of the forum's panelists, and **T. Berry Brazelton, MD, FAAP**, received SAMHSA's Special Recognition Award for his work over the last six decades in pediatrics and child development.

### **High-Risk Insurance Pools**

As of this week, 29 states and the District of Columbia have informed the U.S. Department of Health and Human Services (HHS) that they will accept federal funds to establish or supplement their own state-based, high-risk insurance pools to provide health insurance coverage for individuals with pre-existing health conditions. Another 18 states elected for the federal government to run the pools for them.

According to the new health reform law (the *Affordable Care Act*), states can create their own high-risk insurance pools, expand existing pools, or allow the federal government to create and administer the pools for them. The program is set to launch on July 1, 2010, and will expire in 2014, when the *Affordable Care Act* requires private insurers to accept all applicants regardless of whether they have pre-existing health conditions. To qualify for health insurance coverage through these high-risk pools, individuals with pre-existing conditions must have been without insurance for at least six months. Many uninsured families are expected to benefit from this immediate access to health insurance coverage, but critics and states have raised questions about whether the program is adequately resourced. The *Affordable Care Act* also eliminates bans on all public and private health insurance coverage for children with pre-existing health conditions as part of a separate provision set to take effect in September, 2010.

## **SGR Fix to be Addressed Later This Month**

It is expected that Congress will begin discussing new proposals to delay a scheduled 21 percent cut in Medicare physician payments and will consider new ways to permanently fix the current payment formula later this month. In April, Congress passed a bill (HR 4851) that delayed the scheduled payment cuts until May 31. A second measure (HR 4213) that would delay the decision through September 2010 has been stalled due to legislative rules. Additionally, a bill passed by the House that would repeal the payment formula and increase payment rates has been held up in the Senate because of concerns over how to offset the cost.

The current payment formula, known as the sustainable growth rate (SGR), was established in 1997 and originally intended to match increases in physician payments under Medicare to the growth of the Gross Domestic Product (GDP). However, since medical costs have inflated at a faster pace than the GDP, the SGR formula would actually result in substantial Medicare payment reductions. Every year, Congress has postponed these cuts, generally substituting small increases in payments instead.

Last week, the Congressional Budget Office (CBO) released new estimates on the cost implications of adjusting the SGR formula. According to the CBO, delaying the 21 percent payment cut for five years and raising certain physician's fees would cost \$88.5 billion, while a 10-year freeze on the rate cuts would cost \$275.8 billion.

Further extension of the SGR fix is expected to be embedded in a "tax extenders" bill, which will also include a six month extension of increased funding to states through the Medicaid federal matching assistance percentages (FMAP). Along with the SGR fix, FMAP funds should allow pediatric practices to receive more revenue than they otherwise would have as the economy continues to recover.

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