

Federal Health Update

MARCH 7, 2014

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EXECUTIVE AND CONGRESSIONAL NEWS

- **On March 6, 2014, H.R. 1917, the *Victims Protection Act of 2014*, was defeated in the Senate.** This legislation was intended to provide for additional enhancements of the sexual assault prevention and response activities of the Armed Forces.

MILITARY HEALTH CARE NEWS

- **On March 4, 2014, President Barack Obama sent Congress a proposed defense budget of \$495.6 billion in FY 2015, an amount consistent with the current discretionary budget caps.**

In addition, the budget for FY 2015 includes a fully paid-for Opportunity, Growth, and Security Initiative that totals \$56 billion government wide. Of that amount \$26 billion is for DoD and will be used to address readiness and modernization challenges and to increase base sustainment and military construction.

Approximately two-thirds of the requested budget (\$336.3 billion) pays for the Department's day-to-day operations, including pay and benefits for 1.3 million active military personnel, 800,000 Reserve and Guard personnel, and 700,000 civilian personnel, as well as health care benefits for over 9 million beneficiaries, both active and retired. Also included are funds for training, logistics, fuel, maintenance, service contracts, administration, family housing, and much more.

The remaining third of the budget (\$159.3 billion) pays for investments in future defense needs, including modernization and recapitalization of equipment and facilities. The budget includes

\$90.4 billion for procurement, \$63.5 billion for research and development, and \$5.4 billion for military construction.

Organizationally, most of the funding is divided between the military departments: 24.2 percent (\$120.3 billion) for the Army, 29.8 percent (\$147.8 billion) for the Navy/Marine Corps, and 27.8 percent (\$137.8 billion) to the Air Force. The rest of the requested budget – 18.1 percent (\$89.8 billion) – funds the Defense-Wide account, which includes the Defense Health Program, intelligence agencies, Missile Defense Agency, Defense Advanced Research Projects Agency, and the many smaller DoD agencies.

Some specific requests include:

- Cutting 20 percent in headquarters operating budgets, reduced contractor funding, targeted reductions in civilian personnel, reductions in funding for defense support agencies, savings in military health care, and savings from deferred military construction projects and family housing.
 - Requesting another round of Base Realignment and Closure (BRAC) to begin in FY 2017.
 - Slowing the growth of military compensation, including limiting the increase in basic pay in FY 2015 to 1 percent, with some limits in future years as well. General and Flag Officer basic pay will not increase at all in FY 2015.
 - Limiting the growth in the Basic Allowance for Housing (BAH) until out-of-pocket costs average 5 percent. In addition, the budget eliminates reimbursement for renters insurance from BAH rates.
 - A reduction of DoD's commissary subsidies, saving \$200 million in FY 2015, \$600 million in FY 2016, and \$1 billion a year thereafter.
 - **Consolidating the three largest TRICARE plans into one plan. It also proposes increases to deductibles and co-pays and changes proposed last year affecting pharmacy co-pays and military health care enrollment fees for retirees age 65 and older in the TRICARE-for-Life program.**

- **More details on the fiscal year 2015 budget's proposed changes to TRICARE:**

The [proposal](#) would combine TRICARE Prime with the DoD's two other options, TRICARE Standard and TRICARE Extra to form a consolidated plan starting in January 2016.

Out of pocket expenses would go up as a result:

- Active duty service members would still get free healthcare, but their families would have to pay between \$10 and \$50 per visit to civilian doctors within network and foot 20 percent of the bill for out of network doctors. Most medical care given at military facilities would continue to be free.
- Military retirees under 65 years old would have to pay an enrollment fee of \$572 per year. Medicare-eligible retirees would have to pay a new annual fee to participate in Medigap – the military's health care program that pays the 20 percent of costs that Medicare doesn't.
- Under the proposed budget, Medicare-eligible retirees would pay 0.5 percent of their annual pension starting in 2015 and then 2 percent of their pension by 2019 for the Medigap coverage.
- Copay costs would go up as well under the proposal.
- Prescriptions at military facilities and generic mail order drugs would continue to be filled for free. Generic drugs at retail pharmacies would remain \$5 in 2015, but rise to \$6 in

2016.

- Brand name drugs would rise in 2015 to \$26 per prescription, up from \$17 and the costs of brand name mail order prescriptions would jump from \$13 to \$16

- **TRICARE and Military OneSource are co-hosting a webinar to educate TRICARE beneficiaries about benefits available to National Guard and Reserve service members. The webinar will take place on Wednesday, Mar. 12, 2014, from 2-3 p.m. ET.**

To sign up, go to <https://www2.gotomeeting.com/register/485010282>. Registration is on a first-come, first-served basis and is limited due to system capacity. Participants must avoid sharing personal health information when asking a question.

National Guard and Reservists go through various stages of activation throughout their careers. This webinar will discuss this dynamic activation status and its impact on health care eligibility, and programs available to them and their family members.

The speaker for this event is Mr. Brian Smith, policy analyst in the Defense Health Agency. Mr. Smith served as a health services management specialist in the U.S. Air Force from 1991-1996. He has served as the program manager for all Reserve Component health plans, policies, and benefit programs with the Defense Health Agency for over three years. He has more than 22 years of experience with the Military Health System. For more information about TRICARE for Guard and Reserve members, visit <http://www.tricare.mil/reserve>.

- **The Department of Defense has published a notice announcing the next Uniform Formulary Beneficiary Advisory Panel will be held on March 20, 2014, from 9:00 a.m. to 1:00 p.m. in Washington DC.**

The therapeutic class scheduled to be reviewed include: pulmonary agents, gastrointestinal agents, pancreatic enzyme agents. In addition, the panel will examine newly approved drugs already-reviewed and pertinent utilization management issues.

For more information, please contact Col. J. Michael Spilker, DFO, Uniform Formulary Beneficiary Advisory Panel, 7700 Arlington Boulevard, Suite 5101, Falls Church, VA 22042-5101. Email Address: Baquests@dha.mil.

- **The TRICARE Beneficiary website (www.tricare.mil) was recently awarded the Best Government and Public Sector website in an annual competition hosted by Sitecore, a global leader in customer experience management software.**

The award recognizes excellence in the website's delivery of effective, meaningful digital experiences across 23 categories.

The TRICARE Beneficiary website is easy-to-use and informative for beneficiaries. A key feature is the ability for beneficiaries to answer three questions on the home page to get tailored benefit information on the site, including their own "My Plan" page. The new "I Want To" banner, also on the home page, allows more direct access to the information and features that beneficiaries want the most, like seeing what's covered, finding a doctor or enrolling in a plan. Additionally, beneficiaries can quickly search for plans and compare them side-by-side from the home page.

VETERANS AFFAIRS NEWS

- **On March 4, 2014, President Obama proposed a Veterans Affairs budget of a \$163.9 billion for fiscal year 2015, a 6.5 percent increase over fiscal year 2014,**

The budget includes \$68.4 billion in discretionary spending, largely for health care, and \$95.6 billion for mandatory programs – mostly disability compensation and pensions for veterans.

The \$68.4 billion total in discretionary spending includes approximately \$3.1 billion in medical care collections from health insurers and Veteran copayments.

Here are highlights from the President's 2015 budget request for VA:

Health Care

With a medical care budget of \$59.1 billion, including collections, VA is positioned to provide care to 6.7 million patients in the fiscal year beginning Oct. 1. The patient total includes over 757,000 people whose military service began after Sept. 11, 2001.

Major spending categories within the health care budget are:

- \$7.2 billion for mental health;
- \$2.6 billion for prosthetics;
- \$561 million for spinal cord injuries;
- \$229 million for traumatic brain injuries;
- \$238 million for readjustment counseling; and
- \$7.0 billion for long-term care.

Expanding Access

The President's proposed budget would ensure that care and other benefits are available to Veterans when and where they need them. Among the programs that will expand access under the proposed budget are:

- \$567 million in telehealth funding, which helps patients monitor chronic health care conditions and increases access to care, especially in rural and remote locations;
- \$403 million for health care services specifically-designed for women, an increase of 8.7 percent over the present level;
- \$534 million for the activation of new and enhanced health care facilities;
- \$562 million to continue on-going major construction projects;
- \$86.6 million for improved customer service applications for online self-service portals and call center agent-assisted inquiries; and
- \$3.6 million to open two new national cemeteries in Florida and prepare for the opening of two new rural national Veterans burial grounds.

Eliminating claims backlog

The President's proposed budget provides for full implementation of the Veterans Benefits Administration's (VBA) robust Transformation Plan in FY 2015. This plan will continue to systematically reduce the backlog and enable the Department to reach its 2015 goal - to eliminate the disability claims backlog and process all claims within 125 days with 98 percent accuracy.

Major transformation initiatives in the budget proposal invest \$312 million to bring leading-edge technology to the claims backlog, including:

- \$173 million (\$137 million in Information Technology and \$36 million in VBA) for the next generation of the electronic claims processing system Veterans Benefits Management System (VBMS); and
- \$139 million for Veterans Claims Intake Program (VCIP) to continue conversion of paper records into electronic images and data in VBMS.

Eliminating veterans homelessness

A major strategic goal for the Department is to end homelessness among Veterans in 2015. The budget request targets \$1.6 billion for programs to prevent or reduce homelessness, including:

- \$500 million for Supportive Services for Veteran Families (SSVF) to promote housing stability;
- \$374 million for the HUD-VASH program wherein VA provides case management services for at-risk Veterans and their families and HUD provides permanent housing through its Housing Choice Voucher program; and
- \$253 million in grant and per diem payments that support temporary housing provided by community-based organizations.

Other services for veterans

Other features of the administration's FY 2015 budget request for the department are:

- \$257 million to administer the VA-run system of national cemeteries;
- \$3.9 billion for information technology; and
- \$1.2 billion in construction, cemetery grants and extended care

GENERAL HEALTH CARE NEWS

- **The President's fiscal year (FY) 2015 Budget for Department of Health and Human Services (HHS) totals \$1 trillion in outlays and proposes \$77.1 billion in discretionary budget authority, a reduction of \$1.3 billion from FY 2014.**

Close to \$1.8 billion of HHS' proposed budget is intended to fund expanded coverage under the ACA. A total of \$25 million was included to fund exchange monitoring to prevent fraud over the next two years and \$60 billion will fund federal tax subsidies to help U.S. residents purchase coverage through the ACA's insurance exchanges.

Other details include:

- An estimated \$400 billion in cuts to Medicare and Medicaid over the next decade, including a variety of reductions affecting providers, increased use of competitive bidding to obtain medical equipment and support for a bipartisan initiative to repeal Medicare's sustainable growth rate. In addition, the proposal would raise outpatient care and prescription drug coverage premiums for middle- and high-income beneficiaries
- An increase of \$200 million e to NIH's budget, bringing funding levels to \$30.3 billion. The budget proposes an additional \$970M for NIH for priorities such as Alzheimer's disease and brain function research.
- A proposed \$4.7 billion in funding for FDA, including \$235 million to implement the Food Safety Modernization Act, which supports programs aimed at preventing instead of reacting to food-borne illness outbreaks. The proposal also included \$25 million to implement stronger oversight of drug compounding facilities

A summary of the budget can be found at: <http://www.hhs.gov/budget/fy2015/fy-2015-budget-in-brief.pdf>

- **A new report from the Centers for Disease Control and Prevention shows that clinicians in some hospitals prescribe three times as many antibiotics than clinicians in other hospitals, even though patients were receiving care in similar areas of each hospital.**

In addition, about one-third of the time, prescribing practices to treat urinary tract infections and prescriptions for the critical and common drug vancomycin included a potential error – given without proper testing or evaluation, or given for too long.

The report also found that, in hospitals, a 30 percent reduction in use of the antibiotics that most often cause deadly diarrheal infections with *Clostridium difficile* can reduce these infections by more than 25 percent. The same antibiotics also prime patients for future super-resistant infections.

More than half of all hospitalized patients will get an antibiotic at some point during their hospital stay, according to the report. The most common types of infections for which hospital clinicians write prescriptions are urinary tract infections, lung infections and suspected infections caused by drug-resistant *Staphylococcus* bacteria, such as MRSA.

REPORTS/POLICIES

- **The GAO published “*Electronic Health Record Programs: Participation Has Increased, but Action Needed to Achieve Goals, Including Improved Quality of Care,*” on March 6, 2014.** The report assesses the extent of current and expected participation in the EHR programs; examines information reported by providers and others to measure meaningful use in the EHR programs; evaluates HHS efforts to ensure that EHR data can be reliably used to measure quality of care; and evaluates HHS efforts to assess the effect of the EHR programs on program goals related to adoption and meaningful use of EHRs and improved outcomes <http://www.gao.gov/assets/670/661399.pdf>
- **The GAO published “*VA Health Care: Actions Needed to Improve Administration and Oversight of Veterans' Millennium Act Emergency Care Benefit,*” (GAO-14-175) on March 6, 2014.** The report assesses the extent of current and expected participation in the EHR programs; examines information reported by providers and others to measure meaningful use in the EHR programs; evaluates HHS efforts to ensure that EHR data can be reliably used to measure quality of care; and evaluates HHS efforts to assess the effect of the EHR programs on program goals related to adoption and meaningful use of EHRs and improved outcomes. <http://www.gao.gov/assets/670/661399.pdf>
- **The GAO published “*Medicare: Contractors and Private Plans Play a Major Role in Administering Benefits,*” (GAO-14-417T) on March 6, 2014.** The report provides an overview of the manner in which CMS has contracted with private organizations to administer benefits in original FFS Medicare, Medicare Advantage, and Part D prescription drug program. <http://www.gao.gov/assets/670/661317.pdf>

HILL HEARINGS

- The House Veterans Affairs Committee will hold a hearing on **March 13, 2014**, to examine the Department of Veterans Affairs Budget Request for Fiscal Year 2015.
- The Senate Armed Services Committee will hold a hearing on **March 26, 2014**, to examine the current readiness of United States forces in review of the Defense Authorization Request for fiscal year 2015 and the Future Years Defense Program
- The Senate Armed Services Committee will hold a hearing on **March 27, 2014**, to examine the posture of the Department of the Navy in review of the Defense Authorization Request for fiscal year 2015 and the Future Years Defense Program
- The Senate Armed Services Committee will hold a hearing on **April 3, 2014**, to examine the posture of the Department of the Army in review of the Defense Authorization Request for fiscal year 2015 and the Future Years Defense Program.
- The Senate Armed Services Committee will hold a hearing on **April 10, 2014**, to examine the posture of the Department of the Air Force in review of the Defense Authorization Request for fiscal year 2015 and the Future Years Defense Program.

LEGISLATION

- There was no legislation proposed this week.

MEETINGS/WEBINARS

- The ACHE Congress on Healthcare Leadership will be held on **March 24-27, 2014**, in Chicago, Ill. <http://www.ache.org/congress/>
- The 11th Annual World Health Care Congress will be held on **April 7-9, 2014**, in National Harbor, Md. <http://www.worldcongress.com/events/HR14000/>
- The Heroes of Military Medicine Awards will be held on **May 1, 2014**, in Washington, DC. <http://www.hjfc3.org>

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