

November 20, 2003

**THE
CATHOLIC HEALTH
ASSOCIATION**
OF THE UNITED STATES

The Honorable J. Dennis Hastert
Speaker U.S. House of Representatives
Washington DC 20515

Dear Speaker Hastert:

On behalf of the Catholic Health Association of the United States (CHA)--the national leadership organization of more than 2,000 Catholic health care sponsors, systems, facilities, and related organizations--I am writing to urge you to support the Medicare prescription drug and reform legislation.



Based upon information currently available to us, the Catholic health ministry believes that while this legislation is not ideal, it is a much needed first step in providing a prescription drug benefit to our nation's seniors and ensuring access for Medicare beneficiaries by supporting our nation's providers. However, there are several provisions that will require further improvement and enhancement once the initial legislation is passed. One single piece of legislation cannot adequately address all of the intricacies required for meaningful reform. We look forward to working with Congress and the administration to address the concerns we have outlined below.

Since its inception in 1965, the Medicare program has been a source of reliable care and support for our nation's seniors. We must ensure that our nation's promise to seniors remains firm and that this critical program continues to serve all aging Americans. Meaningful Medicare reform requires continued dialogue and diligence to get the details right. Our seniors deserve nothing less.

Hospital Provider Provisions

We applaud the inclusion of many provider provisions that will ensure continued access to care for Medicare beneficiaries. In particular, the inclusion of additional disproportionate share hospital funding and the provision of federal funds to provide assistance to states for the costs of emergency health care services to illegal immigrants will further help support our nation's safety net providers. Additionally, the rural equity provisions will help to ensure access to care for Medicare beneficiaries in all parts of the nation.

While we support the reporting of quality indicators being tied to future reimbursement updates, we urge that appropriate safeguards for the use of such data be put into place. Inclusion of adequate funding for our nation's teaching hospitals is critical, and we believe that the conference agreement addresses this issue. We applaud the inclusion of the limited moratorium on "niche" hospitals and urge careful review of the studies from MedPAC and the Department of Health and Human Services that are mandated in the conference agreement. Niche hospitals must not be allowed to undermine the stability and vital services that full service community hospitals provide.

Care Continuum Provisions

The Catholic health ministry, which includes an array of providers across the care continuum, is pleased to note the inclusion of the two-year moratorium on therapy caps and the elimination of a home health co-payment that would have further burdened Medicare beneficiaries. We applaud the inclusion of a demonstration project to provide Medicare coverage of home health services in adult day care centers.

Finally, we welcome the regulatory reform provision requiring the Centers for Medicare and Medicaid Services to develop an expedited appeals process for skilled nursing facilities that have lost their nurse aide training authority.

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Prescription Drug Benefit Design and Medicare Reform Provisions

With respect to the actual prescription drug benefit design and the provisions to reform the Medicare program, there are several issues we believe will require ongoing enhancement, review, and modification. Our position on these provisions is set forth below.

Medicaid/Medicare Dual Eligible Population

Our initial communication to members of the conference committee noted that we favored inclusion of dually eligible seniors in the Medicare prescription drug benefit in accord with the provisions in the House version of the bill. Our position was based on the fact that low-income seniors' access to benefits should not rely upon their geographic location and the condition of the state budget in the location in which they reside. Seniors, particularly low-income seniors, should be provided a stable and consistent prescription drug benefit. Our understanding of the dual eligible provision in the conference agreement is that states would be responsible to pay the federal government 97.5 percent of the cost of drugs for low-income seniors, phasing down over ten years to 75 percent in perpetuity.

The Catholic health ministry is extremely disappointed with this provision. Under this provision, states will become yet another revenue source for Medicare. Rather than providing some fiscal relief to states, the dually eligible prescription drug benefit may actually cause states to spend more to provide a reliable prescription drug benefit to low-income seniors. In addition, states will now be asked to handle eligibility determinations for prescription coverage, to coordinate benefits, and to administer a complex scheme of subsidies with no resources earmarked for these efforts. As prescribed by the conference agreement, low-income seniors may actually end up worse off under the new Medicare benefit than they were under their respective state Medicaid programs. Their out-of-pocket expenses will be higher and their access to needed drugs lessened. Additionally, states are prohibited from receiving federal matching funds to "wrap-around" the Medicare prescription drug benefit except for prescribed, over-the-counter drugs and medically necessary drugs in a Medicare therapeutic class not covered by Medicare.

Health Benefits for Legal Immigrant Children and Pregnant Women

The Catholic health ministry has long championed health care coverage for legal immigrant children and pregnant women, and had supported inclusion in the conference report of legislation that would have provided states the option to cover these populations. We are disappointed that this provision apparently has been cut from the conference agreement. Future legislative initiatives should address this issue.

Low-Income Protections

Our nation's seniors of limited means should not be forced to choose between needed medications and food and housing, nor do they deserve to be subjected to harsh asset tests in order to receive the necessary subsidies to make medically needed prescription drug benefits available. The conference agreement lowers the income eligibility threshold that was included in the Senate provision from 160 percent of the Federal Poverty Level (FPL) to 150 percent, thus disqualifying three million seniors from receiving needed protection. Future refinements must restore protections to low-income seniors up to 160 percent FPL.

Fallback Plan

Given the uncertainty of the private insurance industry to develop stand-alone prescription drug benefits in all regions of the country, it is critical that the federal government be prepared to step in and provide the benefit in those regions in which the private sector chooses not to offer a prescription drug benefit product.

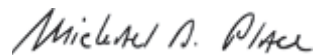
Premium Support Demonstration Project

As noted in our initial letter to the conferees, we have concerns about the role of direct competition in Medicare and believe that a level playing field must be provided for both traditional Medicare and any new competitive models. We remain concerned that direct

competition could ultimately threaten the Medicare entitlement. Since the demonstration project is not slated to begin until 2010, we urge thoughtful consideration of the evaluation process. Issues such as risk adjustment must be closely studied. In this age of growing attention and focus on quality issues, we encourage the demonstration process to include a focus on assessing and quantifying the quality of health plans that may be offered to our nation's seniors.

On behalf of the Catholic health ministry, we appreciate your consideration of our thoughts and stand ready to work with members of Congress on the continuing enhancements needed for meaningful and lasting Medicare reform.

Sincerely,

A handwritten signature in cursive script that reads "Michael D. Place".

Rev. Michael D. Place, STD
President and Chief Executive Officer