

President Signs End-of-Year Healthcare Legislation

On December 29, 2007, the President signed into law the Medicare, Medicaid and SCHIP Extension Act of 2007 (the Act). This legislative package made few substantive changes to Medicare, Medicaid or the State Children's Health Insurance Program (SCHIP).

Unable to reach a compromise with Congressional Republicans or the Administration with respect to more significant changes to these three programs, Congressional leadership chose to pass a limited healthcare package that primarily maintains the status quo for the next 6 months. As a result, it is likely that Congress will re-visit a wide range of Medicare and Medicaid issues over the next few months.



The centerpiece of the Act is a 6-month, 0.5 percent increase to physician payments. This payment update temporarily replaces the 10.1 percent payment reduction that otherwise would have gone into effect on January 1, 2008 (and that will go into effect on July 1, 2008 without further Congressional action).

With respect to the Medicare program, the Act also:

- Extends for 6 months incentive payments for physician scarcity areas;
- Extends for 6 months the exception process for Medicare therapy caps;
- Extends for 6 months the current payment methodology for brachytherapy devices and applies this payment methodology to therapeutic radiopharmaceuticals; and
- Permanently freezes the inpatient rehabilitation facility compliance threshold at 60 percent.

The Act also extends SCHIP in its current form through March 31, 2009. Although Congress twice passed legislation that would have extended SCHIP for 5 years and significantly expanded its size and scope, Congressional leadership remained unable to override Presidential vetoes. None of the major reforms included in the earlier SCHIP legislation are included in the Act.

The Act also:

- Extends for 6 months the qualifying individual (QI) program, which pays the Medicare Part B premium for certain low-income enrollees;

- Extends for 6 months Tennessee's and Hawaii's increased Medicaid disproportionate share hospital (DSH) funding; and
- Suspends for 6 months implementation of regulations that would restrict Medicaid payments for school-based services and rehabilitation services.

Further reform of these three programs is expected in 2008. The 6-month relief in many of the Act's provisions, and particularly the temporary nature of relief from the physician payment cuts, likely will force Congress to consider Medicare legislation in the first half of 2008. Advocates who oppose a number of recent regulatory changes to the Medicaid program also will push strongly for legislative relief. Finally, although SCHIP has been extended through 2009, Congressional leadership may attempt additional SCHIP reform in 2008 in light of the upcoming elections.

A copy of the Act is available at:

[http://op.bna.com/hl.nsf/id/sfak-79zstd/\\$File/FINAL%20Language.pdf](http://op.bna.com/hl.nsf/id/sfak-79zstd/$File/FINAL%20Language.pdf)

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