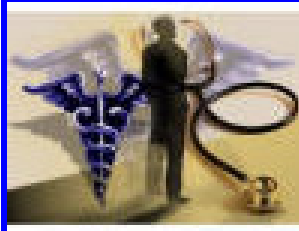


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REGIONAL DEVELOPMENTS

Texas budget writers expand CHIP funding.

The [Houston Chronicle](#) (5/18, Fikac) reports, "Legislative budget writers voted Thursday to cover 100,000 more youngsters in need of healthcare and hike annual teacher pay by about \$425 in addition to merit increases." The Children's Health Insurance Program "would be expanded under action by the Senate Finance Committee, which voted 12-1 to allow youngsters to be enrolled for a year at a time as long as some families' eligibility is checked more often. The committee action sends the measure to the full Senate." The Chronicle continues, "In a related move, lawmakers negotiating differences between House and Senate state spending plans agreed to the CHIP expansion and an across-the-board pay raise and incentive pay for teachers. ...The expansion of CHIP originally was accounted for by House budget writers, but not the Senate." However, "negotiators agreed Thursday to spend as much as \$89.5 million to expand CHIP." The spending "is contingent on passage of House Bill 109, which has already passed the House and was revamped before being OK'd Thursday by the Finance Committee."

Texas bill seeks to reject healthcare auditing rule.

The [New York Times](#) (5/18, C1, Walsh) reports, "Texas lawmakers are on the verge of rejecting a requirement that state and local governments disclose the cost of the healthcare they have promised to retired employees," which "would be an unprecedented rebuff to the independent board that writes accounting rules for the nation's states and cities." The accounting rule "is intended to encourage politicians to deal ahead of time with the huge obligations they have imposed on future taxpayers." Most governments "have been using pay-as-you-go accounting, which does not show the benefits' total cost. This method shows only how much a government spends each year to buy healthcare for its retirees -- not the value of the benefits coming due in the future." Texas officials "argue that having to disclose the state's total obligation...could bring pressure to cut benefits. They also contend that the figures are misleading and impossible to compute accurately, assertions a spokesman for the accounting board called 'an attempt to hide the truth from the public.'" Meanwhile, the "spokesman for the

Governmental Accounting Standards Board, Gerard Carney, said it was the first time in the board's 23-year history that any legislature had tried to derail one of its standards." The "bill to ignore the accounting standard...has already passed the Texas House 142 to 0 and is awaiting a vote in the state Senate."

Arizona hospital association settles with DOJ.

The [AP](#) (5/23) reports, "The federal government reached a proposed settlement Tuesday" with the Arizona Hospital and Healthcare Association. The association was "accused of actions that caused wages for the state's temporary nurses to fall below competitive levels." The settlement "includes prohibiting" the association "and its members from agreeing on uniform rates paid to nurse staffing agencies, according to a Justice Department news release." The proposed settlement "also prevents the association from discriminating against agencies or hospitals that choose not to participate in the AzHHA Registry, a group purchasing organization for temporary nursing services." Thomas O. Barnett, assistant attorney general for the Justice Department's antitrust division, said, "Today's action restores competition in the market for temporary nursing services, which not only will benefit nurses, but also help to improve patient care in Arizona."

Antitrust officials allow Aetna takeover of Schaller Anderson.

The [Arizona Republic](#) (6/7, Johnson) reports, "U.S. antitrust officials on Wednesday gave the green light to health insurer Aetna, Inc.'s plan to acquire Phoenix-based Schaller Anderson, Inc. for \$535 million." The proposed deal "is expected to close in the third quarter" and "would see the 1,800-employee managed-care company keeping its headquarters in Phoenix and becoming part of Aetna's efforts to expand the Medicaid side of its business. ... Both companies have said they do not plan to cut employees as a result of the acquisition."

DEVELOPMENTS IN HEALTHCARE LAW

Blue Cross to settle class-action lawsuit over "rescission."

Continuing coverage from a previous briefing, [USA Today](#) (5/14, 4B, Appleby) reports, "Blue Cross of California -- under scrutiny for retroactively canceling health insurance policies leaving patients with unpaid medical bills -- has agreed to a class-action settlement that would sharply alter its practice and could set a precedent for other insurers. The practice, called "rescission," occurs when companies cancel "coverage after patients make costly claims, if insurers find mistakes or omissions on application forms completed by policyholders." The proposed settlement "comes amid increased scrutiny of the practice, particularly in California," where state regulators "are reviewing many insurers and have issued fines against two: Blue Cross, which is a subsidiary of WellPoint; and Kaiser Permanente." Approximately 6,000 Blue Cross policyholders are involved in the class-action lawsuit. "In the proposed settlement, presented in Los Angeles County Superior Court on Friday, Blue Cross agreed not to retroactively cancel coverage unless policyholders 'intentionally misrepresented' information on their applications. That differs from the stance that Blue Cross and other insurers have taken. They have argued that laws allow them to cancel policies even if applicants had made honest mistakes or unknowingly left out information from their applications." Meanwhile, "Blue Cross spokeswoman Shannon Troughton said in a statement that the insurer denies all allegations of wrongdoing and is settling the class-action case to avoid the costs of prolonged litigation." The [San Francisco Chronicle](#) (5/12, C1, Colliver) also covered the story.

Greater share of rural children enrolled in Medicaid, SCHIP.

A greater share of children in rural areas (32%) than in urban areas (26%) were insured by Medicaid or the State Children's Health Insurance Program in 2005, according to a new [study](#) by the University of New Hampshire's Carsey Institute. That's largely because a greater share of rural children lived in low-income families, the study adds. "SCHIP plays a vital role in the health of rural children," said Institute Director Mil Duncan. "Every year, public health insurance becomes increasingly important to low-income

families as employers drop private coverage or jobs are lost due to changes in the rural economy." According to the study, nearly 4 million children in rural areas depended on public-sector health insurance in 2005.

The Joint Commission issues revised standards.

Revised standard addresses restraint and seclusion: Standard PC.12.90, which addresses the requirement for in-person evaluation of a patient when restraint or seclusion is initiated, has been revised to align with the Centers for Medicare & Medicaid Services' Final Rule for Patient Rights.

Complete story:

http://www.jointcommission.org/Library/jonline/jo_05_07.htm#lb

Revised standard regarding procurement and donation of organs and other tissues

Standard LD.3.110 Element of Performance 12 has been revised to clarify its requirements respecting the procurement and donation of organs and other tissues.

Complete story:

http://www.jointcommission.org/Library/jonline/jo_05_07.htm#1c

Revised standard addresses timeframes for histories and physicals: Effective January 1, 2008, standard PC.2.120, which addresses the timeframes for taking histories and physicals, has been revised to align with the Centers for Medicare & Medicaid Services' final rule regarding these timeframes.

Complete story:

http://www.jointcommission.org/Library/jonline/jo_05_07.htm#1d

Surgery with a warranty – what happens when your leg falls off?

<http://www.nytimes.com/2007/05/17/business/17quality.html?ex=1180065600&en=19ed71078ce04909&ei=5070&emc=eta1>

CMS to post death rates for heart attack, heart failure.

[USA Today](#) (5/23, Sternberg, DeBarros) reports that next month, "the Centers for Medicare and Medicaid Services (CMS) plans to post the first broad comparison of the death rates for heart attack and heart failure on its Web site, [Hospital Compare](#)." This "marks a bold departure for an agency that has long been the repository of private information on Medicare patients." The CMS "will name the high-risk hospitals along with all the others in June, but it does not plan to take corrective action. Instead, officials say, they hope to shame them into doing better." However, despite multiple requests, "officials declined to release the names of hospitals with high death rates before they're posted, though doctors there continue treating fragile patients with heart disease." USA Today continues, "Concerned about the potential backlash from hospitals fearful that a mediocre report card will drive patients away, CMS has chosen to highlight a small percentage of hospitals with the best and worst performance compared with the national death rate." While "consumer advocates agree the move is a valuable first step," they are concerned that "people are being shortchanged by the agency's cautious approach, which withholds specific death rates and leaves 98% of hospitals in the USA statistically indistinguishable from one another."

Waxman letter to compensation consultants.

On May 8, 2007, Rep. Henry Waxman, Chairman of the House Committee on Oversight and Government Reform, sent letters to six compensation consulting firms inquiring about potential conflicts of interest created by compensation consultants also providing other services to their clients, whether directly or through an affiliate. The letter notes that the fees for the consultants' other services can be substantial, exceeding half a billion dollars for one consulting client. Those other services include employee benefits and pension plan consulting. Although not specifically mentioned in these letters, some consulting firms have also designed components of their clients' executive compensation packages or sold products included in their clients' benefit plans.

Copies of all six of these letters are available online from the [House Committee on Oversight and Government Reform website](#). Replies are due May 29.

Bush nominates cardiologist to be next surgeon general.

The [AP](#) (5/25) reports that President Bush has nominated Dr. James W. Holsinger Jr., cardiologist and professor of preventive medicine at the University of Kentucky, "to be the nation's next surgeon general, the White House announced on Thursday." In a statement, Bush said, "As America's chief health educator, he will be charged with providing the best scientific information available on how Americans can make smart choices that improve their health and reduce their risk of illness and injury." The AP adds, "Health and Human Services Secretary Michael Leavitt urged the Senate to quickly confirm Holsinger." The [Wall Street Journal](#) (5/25, B4) also covers the story.

Illegal immigrants add \$6 billion to U.S. healthcare costs.

The [NBC Nightly News](#) (5/27, story 6, 2:30, Holt) reported, "Hospitals and health clinics along the border with Mexico are often called on to provide care for immigrants injured while crossing over to the United States. That gets expensive and it has forced some hospitals to stop offering key services." NBC (Bazell) added, "Even with all the emphasis on border security, if a Mexican citizen comes here to the border crossing and says he or she has a medical emergency they can be let into the United States right away. Hospitals are not allowed to ask about immigration status." Bazell added, "The most serious trauma cases, often multiple injuries from overcrowded vehicles smuggling immigrants go to University Medical Center in Tucson. Here a boarder guard watches a man that hurt his leg running away." Dr. John Porter, University Medical Center Tucson said, "What he will cost us is now when he goes to the O.R. to fix his leg -- we put a rod in him. We have to pay for that rod. The rod is \$1,500. No one reimburses that. The O.R. time is \$300 for 15 minutes at a time, and the clock is ticking with a complex fracture of the femur." Bazell noted, "University Hospital says it puts out \$4 million a year to treat illegals and Americans with no insurance. To try to alleviate demand for U.S. health services, University Hospital has helped set up facilities on the Mexican side of the border." However, such efforts "only make a small dent. Nationwide, undocumented immigrants cost the nation \$6 billion a year for healthcare."

Physicians considering fee-based health system.

The [AP](#) (6/4, Wohlsen) reports, "As several states push plans for providing universal healthcare, concierge doctors nationwide are choosing to see fewer patients and focusing their professional skills on those who are willing to pay for more personalized care. The trend worries healthcare advocates who say it further divides the country into those who can afford good medicine and those who can't." However, "unlike the fee-for-service doctors of a decade ago who set out to serve a niche market of affluent consumers and charged up to \$25,000 a year, today's practitioners say they're forging a free-market future that will save primary care medicine for everyone." Under one plan, "patients paying about \$1,500 a year are guaranteed an annual 1.5-hour physical, a follow-up visit, a personal wellness plan and same or next-day appointments lasting at least a half-hour when they get sick." Also, "physicians can have no more than 600 patients under their care at one time." Supporters of concierge medicine say that the "emphasis on preventative care saves the U.S. healthcare system money," which makes "their yearly fees look cheap by comparison." Still, it is unknown "whether or not concierge medicine actually produces healthier patients," and critics say "that by favoring wealthier patients who don't have to rely on insurance, the rise of concierge practices merely pushes the United States closer to becoming a country where quality healthcare is available only to a wealthy few."

New research may take stem-cell research issue out of politics.

[NBC Nightly News](#) (6/6, lead story, 3:05, Williams) led its broadcast with "an amazing piece of science" having to do "with medicine," as well as "with a hugely divisive political issue, embryonic stem cells and their potential to cure the sick and disabled." NBC (Bazell) added, "This is indeed an astounding and elegant piece of scientific research. It's not going to end the debate about embryonic stem cells, but it could be a big step in that direction." The [CBS Evening News](#) (6/6, story 3, :30, Couric) noted that

"researchers say they have found a way to make stem cells out of ordinary skin cells in mice. If the technique works in humans, scientists might stop using human embryos. Experts believe stem cells could be used to treat diseases ranging from diabetes to Parkinsons."

The usual Disclaimer

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