Congress of the United States
Washington, DC 20515

February 9, 2006

The Honorable Michael O. Leavitt
Secretary of Health and Human Services
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Leavitt:

Thank you for testifying before the House Ways and Means Committee yesterday. As you may recall, some of our questions specifically addressed the Administration's use of the Medicare Payment Advisory Commissions (MedPAC) recommendations to justify your Fiscal Year 2007 budget request. For the record, it appears that MedPAC's recommendations would only account for one quarter of the total savings you proposed. More importantly, we noted that in writing your budget request, the Administration ignored a number of other MedPAC recommendations that as of October 2005, were estimated to achieve $49.2 billion in savings. Now these savings would be even greater.

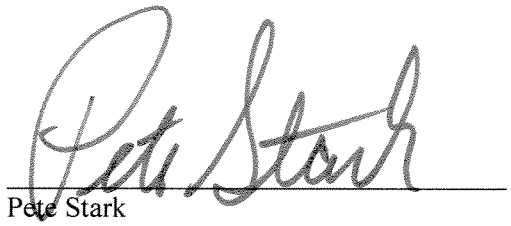
Specifically, we would like to bring to your attention to the following recommendations that MedPAC made in its June 2005 report:

(1) "The Congress should eliminate the stabilization fund for regional preferred provider organizations." This fund is commonly referred to as the PPO "Slush" Fund.
(2) "The Congress should remove the effect of payments for indirect medical education from the Medicare Advantage plan benchmarks." HMOs receive these payments even though they engage in virtually no teaching and rarely pass the payments on to teaching hospitals in their networks.
(3) "The Congress should set the benchmarks that CMS uses to evaluate Medicare Advantage plan bids at 100 percent of the fee-for-service costs." This policy would eliminate overpayments to HMOs.
(4) "The Congress should put into law the scheduled phase-out of the hold-harmless policy that offsets the impact of risk adjustment on aggregate payments through 2010." This policy would adjust plan payments to reflect the health of enrollees.

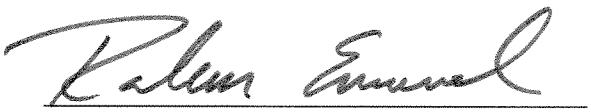
The Congressional Budget Office has estimated that implementing these recommendations would save more than $50 billion over ten years. We are greatly surprised that the Administration would choose to leave such substantial savings on the table. We respectfully request a written response as to why the Administration chose not to include these recommendations that would clearly yield billions of dollars in savings in your Fiscal Year 2007 budget request.

Thank you for immediate attention to this request. We look forward to your reply.

Sincerely,



Pete Stark
Ranking Member, Subcommittee on Health
Committee on Ways and Means



Rahm Emanuel
Member of Congress

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