

107TH CONGRESS
2D SESSION

S. 1948

To establish demonstration projects under the medicare program under title XVIII of the Social Security Act to reward and expand the number of health care providers delivering high-quality, cost-effective health care to medicare beneficiaries.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 14, 2002

Ms. COLLINS (for herself, Mr. FEINGOLD, Mr. KOHL, and Mr. DAYTON) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To establish demonstration projects under the medicare program under title XVIII of the Social Security Act to reward and expand the number of health care providers delivering high-quality, cost-effective health care to medicare beneficiaries.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Medicare Value and
5 Quality Demonstration Act of 2002”.

6 **SEC. 2. FINDINGS.**

7 The Senate makes the following findings:

1 (1) The United States Government should re-
2 ward physicians, hospitals, and other health care
3 providers that provide high-quality, cost-effective
4 health care to beneficiaries under the medicare pro-
5 gram.

6 (2) The Journal of the American Medical Asso-
7 ciation has published quality indicators in an article
8 entitled “Quality of Medical Care Delivered to Medi-
9 care Beneficiaries: A Profile at State and National
10 Levels”.

11 (3) The cost of health care is—

12 (A) reflected in the type and volume of
13 physicians’ services and in physician ordering
14 and prescribing behavior; and

15 (B) reflected in the amount of the average
16 payment to hospitals under the medicare pro-
17 gram for each medicare beneficiary in each
18 State.

19 (4) Physician and hospital practice patterns
20 contribute to the total cost and quality of care for
21 each medicare beneficiary in each State.

22 (5) The original medicare fee-for-service pro-
23 gram under parts A and B of title XVIII of the So-
24 cial Security Act does not include a mechanism to
25 pay for interventions designed to improve quality of

1 care. While the framework for payments to managed
 2 care organizations under the Medicare+Choice pro-
 3 gram under part C of such title allows for the re-
 4 allocation of capitation revenues to cover such things
 5 as disease state management and quality improve-
 6 ment infrastructure, even the most optimistic projec-
 7 tions for managed care enrollment leave the majority
 8 of medicare beneficiaries in the original medicare
 9 fee-for-service program.

10 **SEC. 3. DEMONSTRATION PROJECT TO ENCOURAGE THE**
 11 **PROVISION OF HIGH-QUALITY, COST-EFFEC-**
 12 **TIVE INPATIENT HOSPITAL SERVICES.**

13 (a) PURPOSE.—The purpose of the demonstration
 14 project conducted under this section is to encourage the
 15 provision of high-quality, cost-effective health care to
 16 beneficiaries under the medicare program under title
 17 XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)
 18 by providing incentive payments to hospitals located in
 19 States in which high-quality and cost-effective services are
 20 being provided in order to finance further quality improve-
 21 ments.

22 (b) DEMONSTRATION PROJECT.—

23 (1) ESTABLISHMENT.—Not later than 6
 24 months after the date of enactment of this Act, the

1 Secretary shall establish a demonstration project
 2 under which—

3 (A) the Secretary provides bonus payments
 4 to providers of inpatient hospital services that
 5 deliver high-quality health care at low costs in
 6 accordance with the methodology established by
 7 the Agency for Healthcare Research and Qual-
 8 ity under paragraph (2); and

9 (B) the Secretary funds a plan at each site
 10 to increase the number of providers of inpatient
 11 hospital services that provide high-quality, low-
 12 cost health care to beneficiaries under the medi-
 13 care program under title XVIII of the Social
 14 Security Act.

15 (2) VALUE AND QUALITY RANKING METHOD-
 16 OLOGY.—

17 (A) IN GENERAL.—The Agency for
 18 Healthcare Research and Quality shall establish
 19 a value and quality ranking methodology under
 20 which the Secretary awards bonus payments to
 21 providers of inpatient hospital services located
 22 in those States that demonstrate that such pro-
 23 viders in the State are providing high value be-
 24 cause of the high-quality, cost-effective health

1 care services being provided to medicare bene-
2 ficiaries.

3 (B) BASIS.—The methodology established
4 under subparagraph (A) shall be based on the
5 rank and performance on medicare quality indi-
6 cators contained in the article entitled “Quality
7 of Medical Care Delivered to Medicare Bene-
8 ficiaries: A Profile at State and National Lev-
9 els” published in the October 4, 2000, issue of
10 the Journal of the American Medical Associa-
11 tion or such other quality indicators as the Sec-
12 retary determines to be appropriate.

13 (3) SITES.—The Secretary shall select 2 States
14 in which to conduct the demonstration project—

15 (A) from among the top 25 States (as
16 ranked using the methodology established under
17 paragraph (2)) that are also among the group
18 of 25 States with the lowest per capita cost to
19 the medicare program under title XVIII of the
20 Social Security Act during the most recent 12-
21 month period for which data are available; and

22 (B) based upon information contained in
23 applications submitted to the Secretary by such
24 States at such time, in such form and manner,

1 and containing such information as the Sec-
2 retary may require.

3 (4) DURATION OF PROJECT.—The demonstra-
4 tion project shall be conducted over a 5-year period.

5 (c) REPORTS.—The Secretary shall submit to the ap-
6 propriate committees of Congress interim reports on the
7 demonstration project and a final report on the project
8 within 6 months after the conclusion of the project to-
9 gether with recommendations for such legislative or ad-
10 ministrative action as the Secretary determines appro-
11 priate.

12 (d) WAIVER.—The Secretary shall waive such provi-
13 sions of titles XI and XVIII of the Social Security Act
14 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
15 essary to conduct the demonstration project under this
16 section.

17 (e) DEFINITIONS.—In this section:

18 (1) PROVIDER OF INPATIENT HOSPITAL SERV-
19 ICES.—The term “provider of inpatient hospital
20 services” means any individual or entity that re-
21 ceives payment under the medicare program under
22 title XVIII of the Social Security Act (42 U.S.C.
23 1395 et seq.) for providing an inpatient hospital
24 service (as defined in section 1861(b) of such Act
25 (42 U.S.C. 1395x(b))).

1 (2) SECRETARY.—The term “Secretary” means
2 the Secretary of Health and Human Services.

3 (f) FUNDING.—There are appropriated from the Fed-
4 eral Hospital Insurance Trust Fund under section 1817
5 of the Social Security Act (42 U.S.C. 1395i) such sums
6 as the Secretary determines are necessary to conduct the
7 demonstration project under this section.

8 **SEC. 4. DEMONSTRATION PROJECT TO ENCOURAGE THE**
9 **PROVISION OF HIGH-QUALITY, COST-EFFEC-**
10 **TIVE PHYSICIANS’ SERVICES.**

11 (a) PURPOSE.—The purpose of the demonstration
12 project conducted under this section is to encourage the
13 provision of high-quality, cost-effective health care to
14 beneficiaries under the medicare program under title
15 XVIII of the Social Security Act (42 U.S.C. 1395 et seq.)
16 by providing incentive payments to physicians located in
17 States in which high-quality and cost-effective services are
18 being provided in order to finance further quality improve-
19 ments.

20 (b) DEMONSTRATION PROJECT.—

21 (1) ESTABLISHMENT.—Not later than 6
22 months after the date of enactment of this Act, the
23 Secretary shall establish a demonstration project
24 under which—

(A) the Secretary provides bonus payments to providers of physicians' services that deliver high-quality, cost-effective health care in accordance with the methodology established by the Agency for Healthcare Research and Quality under paragraph (2); and

(B) the Secretary funds a plan in each State to increase the number of providers of physicians' services that provide high-quality, cost-effective health care to beneficiaries under the medicare program under title XVIII of the Social Security Act.

(2) VALUE AND QUALITY RANKING METHODOLOGY.—

(A) IN GENERAL.—The Agency for Healthcare Research and Quality shall establish a value and quality ranking methodology under which the Secretary awards bonus payments to providers of physicians' services located in those States that demonstrate that such providers in the State are providing high value because of the high-quality, cost-effective health care services being provided to medicare beneficiaries.

(B) BASIS.—The methodology established under subparagraph (A) shall be based on the

1 rank and performance on medicare quality indi-
2 cators contained in the article entitled “Quality
3 of Medical Care Delivered to Medicare Bene-
4 ficiaries: A Profile at State and National Lev-
5 els” published in the October 4, 2000, issue of
6 the Journal of the American Medical Associa-
7 tion or such other quality indicators as the Sec-
8 retary determines to be appropriate.

9 (3) SITES.—The Secretary shall select 2 States
10 in which to conduct the demonstration project—

11 (A) from among the top 25 States (as
12 ranked using the methodology established under
13 paragraph (2)) that are also among the 25
14 States with the lowest per capita cost to the
15 medicare program under title XVIII of the So-
16 cial Security Act during the most recent 12-
17 month period for which data are available; and

18 (B) based upon information contained in
19 applications submitted to the Secretary by such
20 States at such time, in such form and manner,
21 and containing such information as the Sec-
22 retary may require.

23 (4) DURATION OF PROJECT.—The demonstra-
24 tion project shall be conducted over a 5-year period.

1 (c) REPORTS.—The Secretary shall submit to the ap-
 2 propriate committees of Congress interim reports on the
 3 demonstration project and a final report on the project
 4 within 6 months after the conclusion of the project to-
 5 gether with recommendations for such legislative or ad-
 6 ministrative action as the Secretary determines appro-
 7 priate.

8 (d) WAIVER.—The Secretary shall waive such provi-
 9 sions of titles XI and XVIII of the Social Security Act
 10 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
 11 essary to conduct the demonstration project under this
 12 section.

13 (e) DEFINITIONS.—In this section:

14 (1) PROVIDER OF PHYSICIANS' SERVICES.—The
 15 term “provider of physicians’ services” means any
 16 individual or entity that receives payment under the
 17 medicare program under title XVIII of the Social
 18 Security Act (42 U.S.C. 1395 et seq.) for providing
 19 physicians’ services (as defined in section 1861(q) of
 20 such Act (42 U.S.C. 1395x(q))).

21 (2) SECRETARY.—The term “Secretary” means
 22 the Secretary of Health and Human Services.

23 (f) FUNDING.—There are appropriated from the Fed-
 24 eral Supplementary Medical Insurance Trust Fund under
 25 section 1841 of the Social Security Act (42 U.S.C. 1395t)

- 1 such sums as the Secretary determines are necessary to
- 2 conduct the demonstration project under this section.

