I

108TH CONGRESS
1ST SESSION

H. R. 1743

To allow applications for the preferred provider organization (PPO) demonstration project under the Medicare+Choice program.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2003

Mr. LEACH (for himself and Mr. LATHAM) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To allow applications for the preferred provider organization (PPO) demonstration project under the Medicare+Choice program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Iowa Medicare PPO Demonstration Act of 2003''.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—Congress finds the following:

(1) When the reimbursement system under the Medicare program, which evolved into the Prospective Payment System, was created in 1965, Iowa had pioneered in cost containment techniques and therefore received lower initial reimbursement rates. As inflation adjustments occurred over the years, the differential between reimbursement rates in the various states widened even though many medical costs are themselves similar.

(2) Despite the fact that Iowa ranks first among all states in percent of citizens over 85, and fourth in citizens over 65, Medicare beneficiaries in Iowa access the health care system less frequently and experience shorter hospitalizations than residents of many other States.

(3) The inflation in general health care costs for which Iowa has been relatively undercompensated coupled with the unique problems of serving a disproportionately aging population in a decentralized rural setting has created a crisis for Iowa's health care providers and the Medicare beneficiaries they serve.

(4) The inequity inherent in the Medicare reimbursement differential is symbolized by the fact that Medicare reimbursements per beneficiary for Iowa is

$3414, the lowest in the nation, while the figure for Louisiana, the highest, is $8033, or about two and one half times as great.

(5) The average cost of living in the two states taken as a percent of that in the entire United States, by contrast, is almost the same, 92.5 for Iowa and 97.4 for Louisiana.

(6) If the inequity in Medicare reimbursements did not exist, the modest cost of living differential which exists between Iowa and states such as Louisiana would be even closer than indicated by the statistics described in paragraph (5) because health care spending represents approximately 12 percent of the Gross Domestic Product (GDP), and when an entitlement program of Federal government, such as the Medicare program, provides disproportionately more resources to individuals in one State over another State, generalized economic, and specific health care cost, differentials occur.

(7) Because of low Medicare rates, Iowa counties, particularly but not exclusively the smaller ones, are experiencing shortages of doctors and other health care providers, which in the near future could cause a significant access to health care crisis for many Iowa citizens.

(8) All citizens pay into Social Security under a uniform set of national standards.

(9) Simple fairness and equity in the delivery of government services dictate that the differences in Medicare reimbursement received by each of the several States should not fall far below the differences in the cost of living therein.

(10) Low payment rates and a shortage of providers discourage Medicare+Choice organizations from offering plans in rural areas, and this unavailability of a Medicare+Choice option in such areas is unfair to Medicare residents who would like to take advantage of the additional services and other benefits offered through Medicare+Choice plans.

(11) In order to encourage the establishment of Medicare+Choice plans in rural States, the Medicare program needs to provide incentives to States, insurers, and other entities interested in sponsoring Medicare+Choice plans in such States. Given Iowa's low Medicare reimbursement rate, it is unlikely that any new health care delivery model can attract sufficient providers unless current Medicare fee-for-service payment rates for those providers are exceeded.

(12) Preferred provider organizations are uniquely positioned to provide improved care man-

agement and clinical outcomes in part due to the wide-ranging involvement of health care professionals at each stage of a patient-oriented care process.

(13) State governments should be encouraged to support and, where appropriate, oversee the establishment of organizations which make available health care services to individuals residing in underserved areas in the State.

(b) PURPOSE.—In order to insure that Iowa's health care facilities and providers have access to the most innovative reimbursement options available under the Medicare program, the Secretary of Health and Human Services may approve a demonstration project to test ways in which cooperative efforts among insurers, institutional providers of services, and health care professionals may provide better access to health care services for Medicare beneficiaries. The demonstration project would be designed to improve access to health care services through the Medicare+Choice program.

SEC. 3. CONSIDERATION OF APPLICATIONS FOR THE PREFERRED PROVIDER ORGANIZATION (PPO) DEMONSTRATION PROJECT UNDER THE MEDICARE+CHOICE PROGRAM.

(a) IN GENERAL.—The Secretary of Health and Human Services shall allow the receipt and approval of applications described in subsection (b) for a demonstration project conducted under section 402 of the Social Security Amendments of 1967 for participation of preferred provider organizations (PPOs) under the Medicare+Choice program under part C of title XVIII of the Social Security Act, with the understanding that the demonstration program could cause Medicare reimbursement in Iowa to rise to a level more in line with the average national Medicare reimbursement rate.

(b) APPLICATION DESCRIBED.—

(1) IN GENERAL.—An application described in this subsection is an application by an appropriate insurer domiciled and licensed to sell health insurance or health benefits coverage in the State of Iowa (which for purposes of this project shall include the Illinois, as well as the Iowa, parts of the ''Quad Cities'') to offer a Medicare+Choice plan in that State that meets the requirements described in paragraph (2).

(2) ANNUAL PLAN REQUIREMENTS.—The requirements of a plan for each contract year for which an application is granted under paragraph (1) are as follows:

(A) All licensed physicians, hospitals, and practitioners (as defined in section 1842(b)(18)(C) of the Social Security Act) in the State are eligible to be preferred providers under the insurer's network to ensure that the health care needs of the Medicare beneficiaries to be served by the network are met.

(B) Appropriate adjustments are made to the payment rates to hospitals for indirect medical education costs and for being a disproportionate share hospital in manner similar to which such payment adjustments are made under subparagraphs (B) and (F), respectively, of section 1886(d)(5) of the Social Security Act.

(C) As a preferred provider, a provider of services, physician, and health care practitioner shall be reimbursed for services furnished to Medicare beneficiaries at a rate no less than 110 percent of the payment rate that would

otherwise apply for the service under part A or B, as the case may be.

(D) The Secretary provides partial underwriting of the financial risk under the plan.

(E) The insurer should provide for health care benefits in addition to those required under parts A and B of such title (such as coverage of the costs of some or all outpatient prescription drugs, hearing aids, or eye glasses or reduced cost-sharing), after taking into account costs of administration.

(3) ADDITIONAL PAYMENT FOR START UP COSTS.—In addition to payments made to the insurer under paragraph (2), the Secretary may provide for a payment during the initial phase of the project to reflect additional costs associated with the establishment of preferred provider organizations under the plan.

(c) PERIOD OF DEMONSTRATION PROJECT.—A demonstration project carried out under this section shall operate for a period of 5 years.

(d) ADVISORY BOARD.—

(1) ESTABLISHMENT.—As a part of the demonstration project conducted under this section, the insurer shall provide for an advisory board to review

payment rate changes by the insurer for services furnished by providers under the demonstration project before such rates or changes take effect.

(2) COMPOSITION.—The Board shall be composed of 7 members with expertise in the field of health care as follows:

(A) The Attorney General of Iowa.

(B) 2 members appointed by the insurer upon the recommendation of the Governor of Iowa.

(C) 2 members appointed by the insurer upon the recommendation of the Iowa Hospital Association.

(D) 2 members appointed by the insurer upon the recommendation of the Iowa Medical Society.

(3) TERMS OF APPOINTMENT.—The term of any appointment under paragraph (2) shall be 5 years.

(4) MEETINGS.—The advisory board shall meet at the call of its chairman or a majority of its members.

(5) VACANCIES.—A vacancy on the advisory board shall be filled in the same manner in which the original appointment was made not later than 30

days after the advisory board is given notice of the vacancy and shall not affect the power of the remaining members to execute the duties of the advisory board .

(6) COMPENSATION.—Members of the advisory board shall receive no additional pay, allowances, or benefits by reason of their service.

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