

108TH CONGRESS
1ST SESSION

S. 1257

To conduct statewide demonstration projects to improve health care quality and to reduce costs under the medicare program under title XVIII of the Social Security Act and to conduct a study on payment incentives and performance under the Medicare+Choice program under such title.

IN THE SENATE OF THE UNITED STATES

JUNE 12, 2003

Mr. COLEMAN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To conduct statewide demonstration projects to improve health care quality and to reduce costs under the medicare program under title XVIII of the Social Security Act and to conduct a study on payment incentives and performance under the Medicare+Choice program under such title.

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 Payment for
5 Quality and Value Act of 2003”.

1 **SEC. 2. DEMONSTRATION PROJECTS TO IMPROVE HEALTH**
2 **CARE QUALITY AND REDUCE COSTS UNDER**
3 **MEDICARE.**

4 (a) DEFINITIONS.—In this section:

5 (1) DEMONSTRATION PROJECT.—The term
6 “demonstration project” means a demonstration
7 project established by the Secretary under sub-
8 section (b)(1).

9 (2) LOW-COST HIGH-QUALITY STATE.—The
10 term “low-cost high-quality State” means a State in
11 the top quartile of cost and quality efficiency as
12 measured by the Centers for Medicare & Medicaid
13 Services using 1999 program data.

14 (3) MEDICARE BENEFICIARY.—The term
15 “medicare beneficiary” means an individual who is
16 entitled to (or enrolled for) benefits under part A of
17 the medicare program, enrolled for benefits under
18 part B of the medicare program, or both (including
19 an individual who is enrolled in a Medicare+Choice
20 plan under part C of the medicare program).

21 (4) MEDICARE PROGRAM.—The term “medicare
22 program” means the health benefits program under
23 title XVIII of the Social Security Act (42 U.S.C.
24 1395 et seq.).

25 (5) SECRETARY.—The term “Secretary” means
26 the Secretary of Health and Human Services.

1 (b) DEMONSTRATION PROJECTS TO IMPROVE
2 HEALTH CARE QUALITY AND REDUCE COSTS UNDER
3 MEDICARE.—

4 (1) ESTABLISHMENT.—There is established a
5 demonstration program under which the Secretary
6 shall establish demonstration projects in accordance
7 with the provisions of this section for the purpose of
8 improving the quality of care—

9 (A) provided to medicare beneficiaries with
10 high-volume and high-cost conditions; and

11 (B) for which payment is made under the
12 medicare program.

13 (2) REWARDING QUALITY CARE.—Under the
14 demonstration projects, the Secretary shall increase
15 payments under the medicare program by an
16 amount determined by the Secretary for purposes of
17 the demonstration projects to health care providers
18 (as defined by the Secretary) in low-cost high-quality
19 States that demonstrate adherence to quality stand-
20 ards identified by the Secretary for purposes of the
21 demonstration projects.

22 (c) CONDUCT OF DEMONSTRATION PROJECTS.—

23 (1) DEMONSTRATION AREAS.—

24 (A) IN GENERAL.—The Secretary shall
25 conduct demonstration projects in low-cost

1 high-quality States selected on the basis of pro-
2 posals submitted under subparagraph (B). Each
3 demonstration project shall be conducted on a
4 statewide basis.

5 (B) PROPOSALS.—The Secretary shall ac-
6 cept proposals to establish the demonstration
7 projects from entities that demonstrate an in-
8 tent to include multiple public and private pay-
9 ers and a majority of practicing physicians in a
10 low-cost high-quality State.

11 (2) DURATION.—The Secretary shall complete
12 the demonstration projects by the date that is 5
13 years after the date on which the first demonstration
14 project is implemented.

15 (d) REPORT TO CONGRESS.—Not later than the date
16 that is 6 months after the date on which the demonstra-
17 tion projects end, the Secretary shall submit to Congress
18 a report on the demonstration projects together with such
19 recommendations for legislation or administrative action
20 as the Secretary determines is appropriate.

21 (e) WAIVER OF MEDICARE REQUIREMENTS.—The
22 Secretary shall waive compliance with such requirements
23 of the medicare program to the extent and for the period
24 the Secretary finds necessary to conduct the demonstra-
25 tion projects.

1 (f) FUNDING.—

2 (1) DEMONSTRATION PROJECTS.—

3 (A) IN GENERAL.—Subject to subpara-
4 graph (B) and paragraph (2), the Secretary
5 shall provide for the transfer from the Federal
6 Hospital Insurance Trust Fund under section
7 1817 of the Social Security Act (42 U.S.C.
8 1395i) and Federal Supplementary Insurance
9 Trust Fund under section 1841 of such Act (42
10 U.S.C. 1395t), in such proportion as the Sec-
11 retary determines appropriate, of such funds as
12 are necessary for the costs of carrying out the
13 demonstration projects under this section.

14 (B) LIMITATION.—In conducting the dem-
15 onstration projects under this section, the Sec-
16 retary shall ensure that the aggregate payments
17 made by the Secretary under the medicare pro-
18 gram do not exceed the amount which the Sec-
19 retary would have paid under the medicare pro-
20 gram if the demonstration projects under this
21 section were not implemented.

22 (2) EVALUATION AND REPORT.—There are au-
23 thorized to be appropriated such sums as are nec-
24 essary for the purpose of developing and submitting
25 the report to Congress under subsection (d).

1 **SEC. 3. INSTITUTE OF MEDICINE REPORT ON PAYMENT IN-**
2 **CENTIVES AND PERFORMANCE UNDER THE**
3 **MEDICARE+CHOICE PROGRAM.**

4 (a) STUDY.—The Secretary of Health and Human
5 Services shall enter into an arrangement with the Institute
6 of Medicine of the National Academy of Sciences under
7 which the Institute shall conduct a study on clinical out-
8 comes, performance, and quality of care under the
9 Medicare+Choice program under part C of title XVIII of
10 the Social Security Act.

11 (b) MATTERS STUDIED.—

12 (1) IN GENERAL.—In conducting the study
13 under subsection (a), the Institute shall review and
14 evaluate the public and private sector experience re-
15 lated to the establishment of performance measures
16 and payment incentives. The review shall include an
17 evaluation of the success, efficiency, and utility of
18 structural process and performance measurements,
19 and different methodologies that link performance to
20 payment incentives. The review shall include the use
21 of incentives—

22 (A) aimed at plans and their enrollees;

23 (B) aimed at providers and their patients;

24 (C) to encourage consumers to purchase
25 based on quality and value; and

1 (D) to encourage multiple purchasers, pro-
2 viders, beneficiaries, and plans within a commu-
3 nity to work together to improve performance.

4 (2) IDENTIFICATION OF OPTIONS.—As part of
5 the study, the Institute shall identify options for
6 providing incentives and rewarding performance, im-
7 prove quality, outcomes, and efficiency in the deliv-
8 ery of programs and services under the
9 Medicare+Choice program, including—

10 (A) periodic updates of performance meas-
11 urements to continue rewarding outstanding
12 performance and encourage improvements;

13 (B) payments that vary by type of plan,
14 such as preferred provider organization plans
15 and MSA plans;

16 (C) extension of incentives in the
17 Medicare+Choice program to the fee for service
18 program under title XVIII of the Social Secu-
19 rity Act; and

20 (D) performance measures needed to im-
21 plement alternative methodologies to align pay-
22 ments with performance.

23 (c) REPORT.—Not later than 18 months after the
24 date of the enactment of this Act, the Institute shall sub-

- 1 mit to Congress and the Secretary a report on the study
- 2 conducted under subsection (a).

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