

108TH CONGRESS
2D SESSION

S. 2135

To amend title XVIII of the Social Security Act to improve the provision of items and services provided to Medicare beneficiaries residing in rural areas.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 26, 2004

Mrs. MURRAY (for herself and Ms. CANTWELL) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend title XVIII of the Social Security Act to improve the provision of items and services provided to Medicare beneficiaries residing in rural areas.

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 “MediFair Act of
5 2004”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

1 (1) Regional inequities in medicare reimburse-
2 ment has created barriers to care for seniors and the
3 disabled.

4 (2) The regional inequities in medicare reim-
5 bursement penalize States that have cost-effective
6 health care delivery systems and rewards those
7 States with high utilization rates and that provide
8 inefficient care.

9 (3) Over a lifetime, those inequities can mean
10 as much as a \$50,000 difference in the cost of care
11 provided per beneficiary.

12 (4) Regional inequities have resulted in creating
13 very different medicare programs for seniors and the
14 disabled based on where they live.

15 (5) Because the Medicare+Choice rate is based
16 on the fee-for-service reimbursement rate, regional
17 inequities have allowed some medicare beneficiaries
18 access to plans with significantly more benefits in-
19 cluding prescription drugs. Beneficiaries in States
20 with lower reimbursement rates have not benefited
21 to the same degree as beneficiaries in other parts of
22 the country.

23 (6) Regional inequities in medicare reimburse-
24 ment have created an unfair competitive advantage
25 for hospitals and other health care providers in

1 States that receive above average payments. Higher
 2 payments mean that those providers can pay higher
 3 salaries in a tight, competitive market.

4 (7) Regional inequities in medicare reimburse-
 5 ment can limit timely access to new technology for
 6 beneficiaries in States with lower reimbursement
 7 rates.

8 (8) Regional inequities in medicare reimburse-
 9 ment, if left unchecked, will reduce access to medi-
 10 care services and impact healthy outcomes for bene-
 11 ficiaries.

12 (9) Regional inequities in medicare reimburse-
 13 ment are not just a rural versus urban problem.
 14 Many States with large urban centers are at the bot-
 15 tom of the national average for per beneficiary costs.

16 **SEC. 3. IMPROVING FAIRNESS OF PAYMENTS TO PRO-**
 17 **VIDERS UNDER THE MEDICARE FEE-FOR-**
 18 **SERVICE PROGRAM.**

19 Title XVIII of the Social Security Act (42 U.S.C.
 20 1395 et seq.), as amended by section 1016 of the Medicare
 21 Prescription Drug, Improvement, and Modernization Act
 22 of 2003 (Public Law 108–173), is amended by adding at
 23 the end the following new section:

1 “IMPROVING PAYMENT EQUITY UNDER THE ORIGINAL
 2 MEDICARE FEE-FOR-SERVICE PROGRAM

3 “SEC. 1898. (a) ESTABLISHMENT OF SYSTEM.—Not-
 4 withstanding any other provision of law, the Secretary
 5 shall establish a system for making adjustments to the
 6 amount of payment made to entities and individuals for
 7 items and services provided under the original medicare
 8 fee-for-service program under parts A and B.

9 “(b) SYSTEM REQUIREMENTS.—

10 “(1) INCREASE FOR STATES BELOW THE NA-
 11 TIONAL AVERAGE.—Under the system established
 12 under subsection (a), if a State average per bene-
 13 ficiary amount for a year is less than the national
 14 average per beneficiary amount for such year, then
 15 the Secretary (beginning in 2005) shall increase the
 16 amount of applicable payments in such a manner as
 17 will result (as estimated by the Secretary) in the
 18 State average per beneficiary amount for the subse-
 19 quent year being equal to the national average per
 20 beneficiary amount for such subsequent year.

21 “(2) REDUCTION FOR CERTAIN STATES ABOVE
 22 THE NATIONAL AVERAGE TO ENHANCE QUALITY
 23 CARE AND MAINTAIN BUDGET NEUTRALITY.—

24 “(A) IN GENERAL.—The Secretary shall
 25 ensure that the increase in payments under

1 paragraph (1) does not cause the estimated
2 amount of expenditures under this title for a
3 year to increase or decrease from the estimated
4 amount of expenditures under this title that
5 would have been made in such year if this sec-
6 tion had not been enacted by reducing the
7 amount of applicable payments in each State
8 that the Secretary determines has—

9 “(i) a State average per beneficiary
10 amount for a year that is greater than the
11 national average per beneficiary amount
12 for such year; and

13 “(ii) healthy outcome measurements
14 or quality care measurements that indicate
15 that a reduction in applicable payments
16 would encourage more efficient use of, and
17 reduce overuse of, items and services for
18 which payment is made under this title.

19 “(B) LIMITATION.—The Secretary shall
20 not reduce applicable payments under subpara-
21 graph (A) to a State that—

22 “(i) has a State average per bene-
23 ficiary amount for a year that is greater
24 than the national average per beneficiary
25 amount for such year; and

1 “(ii) has healthy outcome measure-
 2 ments or quality care measurements that
 3 indicate that the applicable payments are
 4 being used to improve the access of bene-
 5 ficiaries to quality care.

6 “(3) DETERMINATION OF AVERAGES.—

7 “(A) STATE AVERAGE PER BENEFICIARY
 8 AMOUNT.—Each year (beginning in 2004), the
 9 Secretary shall determine a State average per
 10 beneficiary amount for each State which shall
 11 be equal to the Secretary’s estimate of the aver-
 12 age amount of expenditures under the original
 13 medicare fee-for-service program under parts A
 14 and B for the year for a beneficiary enrolled
 15 under such parts that resides in the State.

16 “(B) NATIONAL AVERAGE PER BENE-
 17 FIARY AMOUNT.—Each year (beginning in
 18 2004), the Secretary shall determine the na-
 19 tional average per beneficiary amount which
 20 shall be equal to the average of the State aver-
 21 age per beneficiary amount determined under
 22 subparagraph (A) for the year.

23 “(4) DEFINITIONS.—In this section:

24 “(A) APPLICABLE PAYMENTS.—The term
 25 ‘applicable payments’ means payments made to

1 entities and individuals for items and services
 2 provided under the original medicare fee-for-
 3 service program under parts A and B to bene-
 4 ficiaries enrolled under such parts that reside in
 5 the State.

6 “(B) STATE.—The term ‘State’ has the
 7 meaning given such term in section 210(h).

8 “(c) BENEFICIARIES HELD HARMLESS.—The provi-
 9 sions of this section shall not affect—

10 “(1) the entitlement to items and services of a
 11 beneficiary under this title, including the scope of
 12 such items and services; or

13 “(2) any liability of the beneficiary with respect
 14 to such items and services.

15 “(d) REGULATIONS.—

16 “(1) IN GENERAL.—The Secretary, in consulta-
 17 tion with the Medicare Payment Advisory Commis-
 18 sion, shall promulgate regulations to carry out this
 19 section.

20 “(2) PROTECTING RURAL COMMUNITIES.—In
 21 promulgating the regulations pursuant to paragraph
 22 (1), the Secretary shall give special consideration to
 23 rural areas.”.

1 **SEC. 4. MEDPAC RECOMMENDATIONS ON HEALTHY OUT-**
2 **COMES AND QUALITY CARE.**

3 (a) RECOMMENDATIONS.—The Medicare Payment
4 Advisory Commission established under section 1805 of
5 the Social Security Act (42 U.S.C. 1395b–6) shall develop
6 recommendations on policies and practices that, if imple-
7 mented, would encourage—

8 (1) healthy outcomes and quality care under the
9 medicare program in States with respect to which
10 payments are reduced under section 1898(b)(2) of
11 such Act (as added by section 3); and

12 (2) the efficient use of payments made under
13 the medicare program in such States.

14 (b) SUBMISSION.—Not later than the date that is 9
15 months after the date of enactment of this Act, the Com-
16 mission shall submit to Congress the recommendations de-
17 veloped under subsection (a).

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