

108TH CONGRESS
1ST SESSION

S. 987

To amend title XVIII of the Social Security Act to provide for national standardized payment amounts for inpatient hospital services furnished under the medicare program and to make other rural health care improvements.

IN THE SENATE OF THE UNITED STATES

MAY 5, 2003

Mr. DORGAN (for himself and Mr. BURNS) 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 provide for national standardized payment amounts for inpatient hospital services furnished under the medicare program and to make other rural health care improvements.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Rural Health Care Fairness and Medicare Equity Act
6 of 2003”.

7 (b) TABLE OF CONTENTS.—The table of contents of
8 this Act is as follows:

- Sec. 1. Short title; table of contents.
 Sec. 2. Equalizing urban and rural standardized payment amounts under the medicare inpatient hospital prospective payment system.
 Sec. 3. Adjustment to wage index.
 Sec. 4. Floor on area wage adjustment factors used under medicare PPS for inpatient and outpatient hospital services.
 Sec. 5. Establishment of alternative guidelines for geographic reclassification of certain hospitals located in sparsely populated States.
 Sec. 6. Establishment of floor on work geographic adjustment.

1 **SEC. 2. EQUALIZING URBAN AND RURAL STANDARDIZED**
 2 **PAYMENT AMOUNTS UNDER THE MEDICARE**
 3 **INPATIENT HOSPITAL PROSPECTIVE PAY-**
 4 **MENT SYSTEM.**

5 (a) IN GENERAL.—Section 1886(d)(3)(A)(iv) of the
 6 Social Security Act (42 U.S.C. 1395ww(d)(3)(A)(iv)) is
 7 amended—

8 (1) by striking “(iv) For discharges” and in-
 9 serting “(iv)(I) Subject to subclause (II), for dis-
 10 charges”; and

11 (2) by adding at the end the following new sub-
 12 clause:

13 “(II) For discharges occurring in a fiscal year
 14 beginning with fiscal year 2004, the Secretary shall
 15 compute a standardized amount for hospitals located
 16 in any area within the United States and within
 17 each region equal to the standardized amount com-
 18 puted for the previous fiscal year under this sub-
 19 paragraph for hospitals located in a large urban area
 20 (or, beginning with fiscal year 2005, for hospitals lo-
 21 cated in any area) increased by the applicable per-

centage increase under subsection (b)(3)(B)(i) for the fiscal year involved.”.

(b) CONFORMING AMENDMENTS.—

(1) COMPUTING DRG-SPECIFIC RATES.—Section 1886(d)(3)(D) of the Social Security Act (42 U.S.C. 1395ww(d)(3)(D)) is amended—

(A) in the heading, by striking “IN DIFFERENT AREAS”;

(B) in the matter preceding clause (i), by striking “each of which is”;

(C) in clause (i)—

(i) in the matter preceding subclause (I), by inserting “for fiscal years before fiscal year 2004,” before “for hospitals”; and

(ii) in subclause (II), by striking “and” after the semicolon at the end;

(D) in clause (ii)—

(i) in the matter preceding subclause (I), by inserting “for fiscal years before fiscal year 2004,” before “for hospitals”; and

(ii) in subclause (II), by striking the period at the end and inserting “; and”; and

(E) by adding at the end the following new clause:

“(iii) for a fiscal year beginning after fiscal year 2003, for hospitals located in all areas, to the product of—

“(I) the applicable operating standardized amount (computed under subparagraph (A)), reduced under subparagraph (B), and adjusted or reduced under subparagraph (C) for the fiscal year; and

“(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group.”.

(2) TECHNICAL CONFORMING SUNSET.—Section 1886(d)(3) of the Social Security Act (42 U.S.C. 1395ww(d)(3)) is amended—

(A) in the matter preceding subparagraph (A), by inserting “, for fiscal years before fiscal year 1997,” before “a regional adjusted DRG prospective payment rate”; and

(B) in subparagraph (D), in the matter preceding clause (i), by inserting “, for fiscal years before fiscal year 1997,” before “a regional DRG prospective payment rate for each region,”.

1 **SEC. 3. ADJUSTMENT TO WAGE INDEX.**

2 (a) IN GENERAL.—Section 1886(d)(3)(E) of the So-
3 cial Security Act (42 U.S.C. 1395ww(d)(3)(E)) is amend-
4 ed—

5 (1) by striking “WAGE LEVELS.—The Sec-
6 retary” and inserting “WAGE LEVELS.—

7 “(i) IN GENERAL.—Except as provided in
8 clause (ii), the Secretary”; and

9 (2) by adding at the end the following new
10 clause:

11 “(ii) ALTERNATIVE PROPORTION TO BE AD-
12 JUSTED BEGINNING IN FISCAL YEAR 2004.—

13 “(I) IN GENERAL.—Except as provided in
14 subclause (II), for discharges occurring on or
15 after October 1, 2003, the Secretary shall sub-
16 stitute ‘62 percent’ for the proportion described
17 in the first sentence of clause (i).

18 “(II) HOLD HARMLESS FOR CERTAIN HOS-
19 PITALS.—If the application of subclause (I)
20 would result in lower payments to a hospital
21 than would otherwise be made, then this sub-
22 paragraph shall be applied as if this clause had
23 not been enacted.

24 (b) WAIVING BUDGET NEUTRALITY.—Section
25 1886(d)(3)(E) of the Social Security Act (42 U.S.C.
26 1395ww(d)(3)(E)), as amended by subsection (a), is

1 amended by adding at the end of clause (i) the following
 2 new sentence: “The Secretary shall apply the previous sen-
 3 tence for any period as if the amendments made by section
 4 3(a) of the Rural Health Care Fairness and Medicare Eq-
 5 uity Act of 2003 had not been enacted.”.

6 **SEC. 4. FLOOR ON AREA WAGE ADJUSTMENT FACTORS**
 7 **USED UNDER MEDICARE PPS FOR INPATIENT**
 8 **AND OUTPATIENT HOSPITAL SERVICES.**

9 (a) INPATIENT PPS.—Section 1886(d)(3)(E) of the
 10 Social Security Act (42 U.S.C. 1395ww(d)(3)(E)), as
 11 amended by section 3(a), is amended—

12 (1) in clause (i), by striking “clause (ii)” and
 13 inserting “clauses (ii) and (iii)”; and

14 (2) by adding at the end the following new
 15 clause:

16 “(iii) FLOOR ON AREA WAGE ADJUSTMENT
 17 FACTOR.—

18 “(I) IN GENERAL.—Notwithstanding
 19 clause (i), in determining payments under
 20 this subsection for discharges occurring on
 21 or after October 1, 2003, the Secretary
 22 shall substitute a factor of 0.85 for any
 23 factor that would otherwise apply under
 24 such clause that is less than 0.85.

1 “(II) APPLICABILITY.—Nothing in
 2 this clause shall be construed as author-
 3 izing the application of subclause (I) to ad-
 4 justments for area wage levels made under
 5 other payment systems established under
 6 this title (other than the payment system
 7 under section 1833(t)) to which the factors
 8 established under clause (i) apply.”.

9 (b) OUTPATIENT PPS.—Section 1833(t)(2) of the
 10 Social Security Act (42 U.S.C. 1395l(t)(2)) is amended
 11 by adding at the end the following new sentence: “For
 12 purposes of subparagraph (D) for items and services fur-
 13 nished on or after October 1, 2003, if the factors estab-
 14 lished under clause (i) of section 1886(d)(3)(E) are used
 15 to adjust for relative differences in labor and labor-related
 16 costs under the payment system established under this
 17 subsection, the provisions of clause (iii) of such section
 18 (relating to a floor on area wage adjustment factor) shall
 19 apply to such factors, as used in this subsection, in the
 20 same manner and to the same extent (including waiving
 21 the applicability of the requirement for such floor to be
 22 applied in a budget neutral manner) as they apply to fac-
 23 tors under section 1886.”.

24 (c) WAIVING BUDGET NEUTRALITY.—The last sen-
 25 tence of section 1886(d)(3)(E) of the Social Security Act

1 (42 U.S.C. 1395ww(d)(3)(E)), as added by section 3(b),
 2 is amended by striking “section 3(a)” and inserting “sec-
 3 tions 3(a) and 4(a)”.

4 **SEC. 5. ESTABLISHMENT OF ALTERNATIVE GUIDELINES**
 5 **FOR GEOGRAPHIC RECLASSIFICATION OF**
 6 **CERTAIN HOSPITALS LOCATED IN SPARSELY**
 7 **POPULATED STATES.**

8 (a) ALTERNATIVE GUIDELINES FOR RECLASSIFICA-
 9 TION.—Notwithstanding the guidelines published under
 10 section 1886(d)(10)(D)(i)(I) of the Social Security Act
 11 (42 U.S.C. 1395ww(d)(10)(D)(i)(I)), the Secretary of
 12 Health and Human Services shall publish and use alter-
 13 native guidelines under which—

- 14 (1) a hospital or a group of hospitals described
 15 in subsection (b) qualifies for geographic reclassi-
 16 fication under such section for a fiscal year begin-
 17 ning with fiscal year 2005 for the purposes of using
 18 the other area’s standardized amount for inpatient
 19 operating costs, wage index value, or both, or, in the
 20 case of a group of hospitals, for the purposes of
 21 using both the other area’s standardized amount for
 22 inpatient operating costs and wage index value; and
- 23 (2) a hospital or group of hospitals seeking to
 24 be reclassified is required to demonstrate that the
 25 hospital meets the criteria to be reclassified to the

1 area to which such hospital seeks to be reclassified,
 2 except that, in the case of an individual hospital, the
 3 hospital does not meet the proximity criteria applica-
 4 ble with respect to such area, or, in the case of a
 5 group of hospitals, the group does not meet the ad-
 6 jacency criteria applicable with respect to such area.

7 (b) HOSPITALS COVERED.—A hospital or a group of
 8 hospitals described in this subsection is a hospital or group
 9 of hospitals that—

10 (1) is located in a State with less than 20 peo-
 11 ple per square mile (as determined by the Sec-
 12 retary); and

13 (2) seeks to be reclassified to an area within the
 14 State in which such hospital or group is located.

15 **SEC. 6. ESTABLISHMENT OF FLOOR ON WORK GEOGRAPHIC**
 16 **ADJUSTMENT.**

17 Section 1848(e)(1) of the Social Security Act (42
 18 U.S.C. 1395w-4(e)(1)) is amended by adding at the end
 19 the following new subparagraph:

20 “(E) FLOOR AT 1.0 ON WORK GEOGRAPHIC
 21 INDICES.—After calculating the work geo-
 22 graphic indices in subparagraph (A)(iii), for
 23 purposes of payment for services furnished on
 24 or after January 1, 2004, the Secretary shall
 25 increase the work geographic index to 1.00 for

- 1 any locality for which such geographic index is
- 2 less than 1.00.”.

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