

107TH CONGRESS
1ST SESSION

S. 885

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.

IN THE SENATE OF THE UNITED STATES

MAY 15, 2001

Mr. HUTCHINSON (for himself, Mr. CLELAND, and Mr. MILLER) 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.

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 “Area Wage and Base
5 Payment Improvement Act”.

1 **SEC. 2. ESTABLISHING A SINGLE STANDARDIZED AMOUNT**
2 **UNDER MEDICARE INPATIENT HOSPITAL**
3 **PPS.**

4 (a) IN GENERAL.—Section 1886(d)(3)(A) of the So-
5 cial Security Act (42 U.S.C. 1395ww(d)(3)(A)) is
6 amended—

7 (1) in clause (iv), by inserting “and ending on
8 or before September 30, 2001,” after “October 1,
9 1995,”; and

10 (2) by redesignating clauses (v) and (vi) as
11 clauses (vii) and (viii), respectively, and inserting
12 after clause (iv) the following new clauses:

13 “(v) For discharges occurring in the fiscal year
14 beginning on October 1, 2001, the average standard-
15 ized amount for hospitals located in areas other than
16 a large urban area shall be equal to the average
17 standardized amount for hospitals located in a large
18 urban area.

19 “(vi) For discharges occurring in a fiscal year
20 beginning on or after October 1, 2002, the Secretary
21 shall compute an average standardized amount for
22 hospitals located in all areas within the United
23 States equal to the average standardized amount
24 computed under clause (v) or this clause for the pre-
25 vious fiscal year increased by the applicable percent-

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

3 (b) CONFORMING AMENDMENTS.—

4 (1) UPDATE FACTOR.—Section
5 1886(b)(3)(B)(i)(XVII) of the Social Security Act
6 (42 U.S.C. 1395ww(b)(3)(B)(i)(XVII)) is amended
7 by striking “for hospitals in all areas,” and inserting
8 “for hospitals located in a large urban area,”.

9 (2) COMPUTING DRG-SPECIFIC RATES.—

10 (A) IN GENERAL.—Section 1886(d)(3)(D)
11 of such Act (42 U.S.C. 1395ww(d)(3)(D)) is
12 amended—

13 (i) in the heading by striking “IN DIF-
14 FERENT AREAS”;

15 (ii) in the matter preceding clause

16 (i)—

17 (I) by inserting “for fiscal years
18 before fiscal year 1997” before “a re-
19 gional DRG prospective payment rate
20 for each region,”; and

21 (II) by striking “each of which
22 is”;

23 (iii) in clause (i)—

1 (I) by inserting “for fiscal years
2 before fiscal year 2002,” after “(i)”;
3 and

4 (II) by striking “and” at the end;
5 (iv) in clause (ii)—

6 (I) by inserting “for fiscal years
7 before fiscal year 2002,” after “(ii)”;
8 and

9 (II) by striking the period at the
10 end and inserting “; and”; and

11 (v) by adding at the end the following
12 new clause:

13 “(iii) for a fiscal year beginning after fiscal
14 year 2001, for hospitals located in all areas, to
15 the product of—

16 “(I) the applicable average standard-
17 ized amount (computed under subpara-
18 graph (A)), reduced under subparagraph
19 (B), and adjusted or reduced under sub-
20 paragraph (C) for the fiscal year; and

21 “(II) the weighting factor (determined
22 under paragraph (4)(B)) for that diag-
23 nosis-related group.”.

24 (B) TECHNICAL CONFORMING SUNSET.—
25 Section 1886(d)(3) of such Act (42 U.S.C.

1 1395ww(d)(3)) is amended in the matter pre-
2 ceding subparagraph (A) by inserting “for fiscal
3 years before fiscal year 1997” before “a re-
4 gional DRG prospective payment rate”.

5 **SEC. 3. FLOOR ON AREA WAGE ADJUSTMENT FACTORS**
6 **USED UNDER MEDICARE PPS FOR INPATIENT**
7 **AND OUTPATIENT HOSPITAL SERVICES.**

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

11 (1) by inserting “(i) IN GENERAL.—” before
12 “The Secretary”, and adjusting the margin two ems
13 to the right;

14 (2) by striking “The Secretary” and inserting
15 “Subject to clause (ii), the Secretary”; and

16 (3) by adding at the end the following new
17 clause:

18 “(ii) FLOOR ON AREA WAGE ADJUSTMENT
19 FACTOR.—Notwithstanding clause (i), in deter-
20 mining payments under this subsection for dis-
21 charges occurring on or after October 1, 2001,
22 the Secretary shall substitute a factor of .925
23 for any factor that would otherwise apply under
24 such clause that is less than .925. Nothing in
25 this clause shall be construed as authorizing—

1 “(I) the application of the last sen-
2 tence of clause (i) to any substitution made
3 pursuant to this clause, or

4 “(II) the application of the preceding
5 sentence of this clause to adjustments for
6 area wage levels made under other pay-
7 ment systems established under this title
8 (other than the payment system under sec-
9 tion 1833(t)) to which the factors estab-
10 lished under clause (i) apply.”.

11 (b) OUTPATIENT PPS.—Section 1833(t)(2) of the
12 Social Security Act (42 U.S.C. 1395l(t)(2)) is amended
13 by adding at the end the following: “For purposes of sub-
14 paragraph (D) for items and services furnished on or after
15 October 1, 2001, if the factors established under clause
16 (i) of section 1886(d)(3)(E) are used to adjust for relative
17 differences in labor and labor-related costs under the pay-
18 ment system established under this subsection, the provi-
19 sions of clause (ii) of such section (relating to a floor on
20 area wage adjustment factor) shall apply to such factors,
21 as used in this subsection, in the same manner and to
22 the same extent (including waiving the applicability of the
23 requirement for such floor to be applied in a budget neu-

1 tral manner) as they apply to factors under section
2 1886.”.

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