

108TH CONGRESS
1ST SESSION

S. 36

To amend title XVIII of the Social Security Act to eliminate the geographic physician work adjustment factor from the geographic indices used to adjust payments under the physician fee schedule, to provide the incentives necessary to attract educators and clinical practitioners to underserved areas, and to revise the area wage adjustment applicable under the prospective payment system for skilled nursing facilities.

IN THE SENATE OF THE UNITED STATES

JANUARY 7, 2003

Mr. FEINGOLD (for himself, Ms. COLLINS, and Mr. KOHL) 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 eliminate the geographic physician work adjustment factor from the geographic indices used to adjust payments under the physician fee schedule, to provide the incentives necessary to attract educators and clinical practitioners to underserved areas, and to revise the area wage adjustment applicable under the prospective payment system for skilled nursing facilities.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Medicare Equity Act of 2003”.

4 (b) **TABLE OF CONTENTS.**—

Sec. 1. Short title; table of contents.

Sec. 2. Elimination of geographic physician work adjustment factor from geographic indices used to adjust payments under the physician fee schedule.

Sec. 3. Clinical rotation demonstration project.

Sec. 4. Use of skilled nursing facility wage data under the prospective payment system for skilled nursing facility services.

5 **SEC. 2. ELIMINATION OF GEOGRAPHIC PHYSICIAN WORK**
6 **ADJUSTMENT FACTOR FROM GEOGRAPHIC**
7 **INDICES USED TO ADJUST PAYMENTS UNDER**
8 **THE PHYSICIAN FEE SCHEDULE.**

9 (a) **FINDINGS.**—Congress finds the following:

10 (1) Variations in the geographic physician work
11 adjustment factors under section 1848(e) of the So-
12 cial Security Act (42 U.S.C. 1395w–4(e)) result in
13 inequity between localities in payments under the
14 medicare physician fee schedule.

15 (2) Beneficiaries under the medicare program
16 that reside in areas where such adjustment factors
17 are high have relatively more access to services that
18 are paid based on such fee schedule.

19 (3) There are a number of studies indicating
20 that the market for health care professionals has be-
21 come nationalized and historically low labor costs in
22 rural and small urban areas have disappeared.

1 (4) Elimination of the adjustment factors de-
2 scribed in paragraph (1) would equalize the reim-
3 bursement rate for services reimbursed under the
4 medicare physician fee schedule while remaining
5 budget-neutral.

6 (b) ELIMINATION.—Section 1848(e) of the Social Se-
7 curity Act (42 U.S.C. 1395w-4(e)) is amended—

8 (1) in paragraph (1)(A)(iii), by striking “an
9 index” and inserting “for services provided before
10 January 1, 2003, an index”; and

11 (2) in paragraph (2), by inserting “, for serv-
12 ices provided before January 1, 2003,” after “para-
13 graph (4)), and”.

14 (c) BUDGET NEUTRALITY ADJUSTMENT FOR ELIMI-
15 NATION OF GEOGRAPHIC PHYSICIAN WORK ADJUSTMENT
16 FACTOR.—Section 1848(d) of the Social Security Act (42
17 U.S.C. 1395w-4(d)) is amended—

18 (1) in paragraph (1)(A), by striking “The con-
19 version” and inserting “Subject to paragraph (5),
20 the conversion”; and

21 (2) by adding at the end the following new
22 paragraph:

23 “(5) BUDGET NEUTRALITY ADJUSTMENT FOR
24 ELIMINATION OF GEOGRAPHIC PHYSICIAN WORK AD-
25 JUSTMENT FACTOR.—Before applying an update for

1 a year under this subsection, the Secretary shall (if
2 necessary) provide for an adjustment to the conver-
3 sion factor for that year to ensure that the aggre-
4 gate payments under this part in that year shall be
5 equal to aggregate payments that would have been
6 made under such part in that year if the amend-
7 ments made by section 2(b) of the Medicare Equity
8 Act of 2003 had not been enacted.”.

9 **SEC. 3. CLINICAL ROTATION DEMONSTRATION PROJECT.**

10 (a) **ESTABLISHMENT.**—Not later than 6 months after
11 the date of enactment of this Act, the Secretary shall es-
12 tablish a demonstration project that provides for dem-
13 onstration grants designed to provide financial or other
14 incentives to hospitals to attract educators and clinical
15 practitioners so that hospitals that serve beneficiaries
16 under the medicare program under title XVIII of the So-
17 cial Security Act (42 U.S.C. 1395 et seq.) who are resi-
18 dents of underserved areas may host clinical rotations.

19 (b) **DURATION OF PROJECT.**—The demonstration
20 project shall be conducted over a 5-year period.

21 (c) **FUNDING.**—

22 (1) **IN GENERAL.**—Subject to paragraph (2),
23 the Secretary shall pay the costs of the demonstra-
24 tion project conducted under this section from the
25 Federal Hospital Insurance Trust Fund under sec-

1 tion 1817 of the Social Security Act (42 U.S.C.
2 1395i).

3 (2) CAP ON FUNDING.—The Secretary may not
4 expend more than \$20,000,000 to conduct the dem-
5 onstration project under this section.

6 (3) BUDGET NEUTRALITY FOR DEMONSTRA-
7 TION PROJECT.—Notwithstanding any other provi-
8 sion of law, the Secretary shall provide for an appro-
9 priate reduction in the aggregate amount of addi-
10 tional payments made under subsection (d)(5)(B) of
11 section 1886 of the Social Security Act (42 U.S.C.
12 1395ww) for the indirect costs of medical education
13 and for direct graduate medical education costs
14 under subsection (h) of such section to reflect any
15 increase in amounts expended from the Federal Hos-
16 pital Insurance Trust Fund as a result of the dem-
17 onstration project conducted under this section.

18 (d) REPORTS.—The Secretary shall submit to the ap-
19 propriate committees of Congress interim reports on the
20 demonstration project and a final report on such project
21 within 6 months after the conclusion of the project to-
22 gether with recommendations for such legislative or ad-
23 ministrative action as the Secretary determines appro-
24 priate.

1 (e) WAIVER.—The Secretary shall waive such provi-
 2 sions of titles XI and XVIII of the Social Security Act
 3 (42 U.S.C. 1301 et seq. and 1395 et seq.) as may be nec-
 4 essary to conduct the demonstration project under this
 5 section.

6 (f) DEFINITIONS.—In this section:

7 (1) HOSPITAL.—The term “hospital” means
 8 any subsection (d) hospital (as defined in section
 9 1886(d)(1)(B) of the Social Security Act (42 U.S.C.
 10 1395ww(d)(1)(B)) that had indirect or direct costs
 11 of medical education during the most recent cost re-
 12 porting period preceding the date of enactment of
 13 this Act.

14 (2) SECRETARY.—The term “Secretary” means
 15 the Secretary of Health and Human Services.

16 (3) UNDERSERVED AREA.—The term “under-
 17 served area” means such medically underserved
 18 urban areas and medically underserved rural areas
 19 as the Secretary may specify.

20 **SEC. 4. USE OF SKILLED NURSING FACILITY WAGE DATA**
 21 **UNDER THE PROSPECTIVE PAYMENT SYSTEM**
 22 **FOR SKILLED NURSING FACILITY SERVICES.**

23 (a) FINDINGS.—Congress finds the following:

24 (1) Skilled nursing facilities (as defined in sec-
 25 tion 1819(a) of the Social Security Act (42 U.S.C.

1 1395i–3(a))) employ a significantly different group
 2 of health care professionals than the health care pro-
 3 fessionals employed by hospitals (as defined in sec-
 4 tion 1861(e) of such Act (42 U.S.C. 1395x(e))).

5 (2) Because of the difference described in para-
 6 graph (1) the wage variation in skilled nursing facili-
 7 ties also differs from that of hospitals.

8 (3) The Centers for Medicare & Medicaid Serv-
 9 ices is currently collecting skilled nursing facility
 10 wage data but has not set a date for implementation
 11 of an area wage index for such facilities under the
 12 prospective payment system for skilled nursing facil-
 13 ity services under section 1888(e) of such Act (42
 14 U.S.C. 1395yy(e)) that is based on such wage data.

15 (b) USE OF SKILLED NURSING FACILITY WAGE
 16 DATA.—Section 1888(e)(4)(G)(ii) of the Social Security
 17 Act (42 U.S.C. 1395yy(e)(4)(G)(ii)) is amended—

18 (1) in the second sentence, by striking “Such
 19 adjustment” and inserting “The area wage adjust-
 20 ment under this clause”; and

21 (2) by inserting after the first sentence the fol-
 22 lowing new sentence: “Beginning on October 1,
 23 2003, the area wage adjustment under this clause

- 1 shall be based on the wages of individuals employed
- 2 at skilled nursing facilities.”.

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