

Committee on Ways and Means

How the House Medicare Bill Helps Rural America

Our Medicare bill corrects existing inequities by infusing billions of dollars over the next two years into rural and small urban hospitals. The bill will also permanently eliminate the pending 15 percent home health reduction and continue the rural home health 10 percent bonus payment for the next two years.

The proposal will also include the following provisions that benefit rural areas:

- **Standardized Amount.** Increases the standardized amount (or base payment rate) for rural hospitals and hospitals in MSAs under 1 million by 1.6% to the large urban payment rate over two years. \$7.2 B
- **Rural Amendment.** Rural hospitals in states where the average rural inpatient margin is negative and urban hospitals in states that have less than a 3% inpatient margin will receive a temporary 5% bonus for 3 years. There are 14 states that qualify under the amendment.
- **Update.** Increases payments in 2003 for all hospitals by increasing the market basket inflation adjustment, resulting in a 3.05 percent update. The market basket calculation will be further evaluated with a review (used in the hospital measure of inflation) updating the information more frequently. \$3.6 B
- **Sole Community Hospitals.** Increases payments in 2003 for rural hospitals by the full market basket resulting in a 3.3 percent increase. (Included above.)
- **Disproportionate Share (DSH).** Increases DSH payments for rural and small hospitals in urban areas by increasing the cap from 5.7 to 10 percent over five years beginning next year. (\$1.6 B)
- **Critical Access Hospitals.** (\$0.1)
 - Reinstates special cash flow provision (Periodic Interim Payments);
 - Fixes special physician payment adjustment;
 - Imposes flexibility in the size requirement as defined by the number of beds (limited by 25 beds); and,
 - Reauthorizes rural flexibility grants.
 - Prohibits recoupments of overpayments received relative to CMS software error.

Home Health. Adds a 10 percent increase for all rural home health agencies until January 1, 2005. (\$0.6)

Hospice. Increases by 10 percent hospice payments allocated to frontier areas for five years. (\$0.1)

Direct Graduate Medical Education (DGME). Allows teaching hospitals in rural areas and small cities to receive additional DGME money for paid residency slots currently not used in the Medicare program to be redistributed to hospitals in rural areas and small cities. (\$1.0)

Study of Geographic Adjustment for Physicians. Conducts a General Accounting Office (GAO) study on whether the Center for Medicare and Medicaid Services (CMS) is using accurate and current information on the geographic adjustments in the physician fee schedule.

Ambulance. Increases payment for emergency transportation trips more than 50 miles beginning in 2003. Improves phase-in for high cost regions. (\$0.6)

Indirect Medical Education (IME). Increases the IME payment from 5.5 percent in 2003 and 2004 to 6.0 percent and 5.9 percent, respectively. (\$0.7)