

Provider Issues In H.R. 1 and S. 1

Proposal	H.R. 1	S.1	CBO Score (in Billions)
Inpatient Hospital Services			
Medicare DSH	Sec. 401 Increases cap on payments for small rural and urban hospitals from 5.25% to 10%, starting in FY 2004.	Sec. 404. Eliminates the cap for small rural, most rural referral, sole communities and small urban hospitals, starting in FY 2005. Sec. 420A Increases the Pickle Hospital payments up to 40 percent, starting in FY 2004. (9 eligible hospitals which receive at least 30% of their revenues from state and local indigent care funds.)	HR1 \$2.1/S1 \$3.0, \$0.1
Standardized Amount	Sec. 402 Increase of uniform standardized amount in rural and small urban areas in FY 2004.	Sec. 401 Same, except for language on Puerto Rico	HR1 \$7.9/S1 \$7.9
Essential Hospitals	Sec. 403 Hospitals would be paid 102% of costs for inpatient and outpatient services if designated as an Essential Hospital. The Secretary would determine that the closure of the hospital would significantly diminish the ability of Medicare beneficiaries to obtain essential health care services.	No Provision	HR1 \$0.4
Labor Share	Sec. 416 Decreases labor share from 71% to 62% in low wage areas, starting in FY 2004.	Sec. 402 Same, except starts in FY 2005.	HR1 \$5.4/S1 \$5.0

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Low Volume		Sec. 403 Hospitals with at least 2,000 cases would be paid an amount ranging from 25% to 1% above and beyond their Medicare payments.	S1 \$1.9
Inpatient Update	Sec. 501 Updates at mb minus 0.4% for FY 2004-2006.	No Provision	HR1 (\$12.0)
New Medical Technologies	Sec. 502 Enhances new technology payments and increases the number of eligible new technologies, not budget neutral.	No Provision	HR1 \$2.5
Indirect Medical Education	No Provision	Sec. 418. Increases IME from 5.5 to 5.508 in FY 2004 and 2005, and slightly above 5.5 thereafter	S1 \$0.3
Specialty Hospitals	Sec. 505. Study	Sec. 453 Eliminates “whole hospital exemption” for physician referral for new specialty hospitals with some exceptions.	0
Inpatient Hospital Total			HR 1 \$6.3/S1 \$18.2
Physicians			
Update	Sec. 601. Sets a minimum update of 1.5% to the physician fee schedule for 2004 and 2005; modifies SGR formula to include 10-year rolling average GDP.	No provision.	HR1 \$0.2

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Bonus in Scarcity Areas	Sec 417. Establishes a new 5% bonus payment for physicians in physician scarcity areas beginning 2004. Provides for enhancements to Medicare Incentive Program in health shortage areas.	Sec. 422. Same provision on Medicare Incentive Program.	HR1 \$6.0/S1 \$0.2
Floor on Geographic Adjusters	Sec. 605. Sets floor on work geographic adjuster at 1.0 for 2004 and 2005.	Sec. 421. Sets a floor on work geographic adjuster at .98 in 2004, and sets floors of 1.0 on work, practice expense, and malpractice geographic adjusters from 2005 to 2007.	HR 1 \$0.6/S1 \$4.8
Physician Total			HR 1 \$6.8/S1 \$5.0
Home Health			
Updates	Sec. 701 Update is mb minus 0.4% for three years	No Provision	HR 1 (\$4.9)
Copayment	Sec. 702. Establishes a 1.5% copayment, exempts low income beneficiaries and visits outside the episode.	No Provision	HR1 (\$2.1)
Rural Home Health	Sec. 411 Two year 5% increase in payments for rural home health services, starting in FY 2004	Sec. 451 A two year 5% increase. Sec. 463 A two year 10% increase, both starting in FY 2005.	HR1 \$0.2/S1 ?, \$0.4
Home Health Wage Index		Sec. 452 Home health wage index changes are capped at 3%.	S1 \$0.2
Home Health Total			HR 1 (\$6.8)/S1 \$0.6?
Other Part B (Drugs, DME and Lab)			

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AWP Reform	<p>Sec 301 Physician has choice of competitive bidding contractor model or reimbursement for drugs at Average Sales Price (ASP) plus 12% in 2005 and 2006. ASP plus 0% thereafter</p> <p>Physician practice expenses increased by 83% for drug administration</p>	<p>Sec. 432 Payment for drugs available on or before April 1, 2003 is the lesser of:</p> <ul style="list-style-type: none"> • the current AWP or • 85% of AWP, increased by CPI-medical care <p>Secretary can substitute the “widely available market price” for a drug if found to be different than above amount based on market surveys.</p> <p>Similar practice expense provision</p>	HR1 (\$13.4)/ S1(\$16.0)
Durable Medical Equipment	Sec. 302 Competitive bidding for durable medical equipment and orthotics, excluding custom items.	Sec. 430 Freeze for durable medical equipment or othotics (excluding custom-fabricated) from 2004- 2010.	HR 1 (\$9.2)/ S1 (\$7.7)
Laboratory Coinsurance	No Provision	Sec. 431 Applies deductible and coinsurance to all laboratory tests.	S1 (\$18.6)
Ambulatory Surgery Centers	Sec. 625. Reduces update to CPI minus 2% each year from 2004 to 2008.	No Provision	HR1 (\$2.1B)
Other Part B Total			HR 1 (\$24.7)/S1 (\$42.3)
Graduate Medical Education			
Residency Training	Sec. 406 Redistributes residency slots -- increasing graduate medical education payments and training -- to hospitals in rural and small cities.	No Provision	HR1 \$1.5
High GME per Resident Amounts	Sec. 711 Extension of update limitation on high cost programs.	No Provision	HR1 (\$1.3)

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Other Changes	No Provision	<p>Sec. 408 Inclusion of psychologists in GME.</p> <p>Sec. 410 Exception to initial residency period for geriatric residency or fellowship training programs.</p> <p>Sec. 411 a) Counting of residents and determination of costs in non-provider settings; b) Limiting the one year lag and three year rolling average for dental residents.</p>	<p>S1 \$0.4</p> <p>S1 \$0.5</p> <p>S1 \$0.1</p>
GME Total			HR 1 \$0.2/S1 \$1.0
Ambulance			
Ambulance	<p>Sec. 622. Establishes a regional floor as part of the ambulance fee schedule transition (similar to the hospital inpatient transition.) Payment for trips longer than 50 miles would be increased beginning January 1, 2004.</p> <p>Sec. 410. After January 1, 2004, the average payment would be adjusted for companies in low population counties to factor in their higher costs.</p> <p>Section 405. 35 mile requirement for CAH cost based ambulance reimbursement doesn't apply to first responders.</p>	<p>Sec. 425. Two year 5 % increase for rural areas starting, January 1 2005. The fee schedule for other areas would be increased by 2%.</p> <p>Sec. 405b 35 mile requirement for CAH cost based reimbursement is eliminated, effective 1/1/05</p>	HR1 \$0.2, \$0.4/S1 \$0.3
Ambulance Total			HR 1 \$0.6/S1 \$0.3
Medicaid			
Medicaid	Increase in Medicaid DSH allotments in	<ul style="list-style-type: none"> Increase in Medicaid DSH 	HR1 \$3.8/S1 \$2.1

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Disproportionate Share Hospital (DSH)	<p>FY 2004 equal to 120% of FY 2003.</p> <p>Next years states get 1.9% increase until it equals the amount they would have under current law. Then payments will increase by CPI-U.</p>	<p>allotment for 2004 and 2005. Ties allotment amounts back to 2002 allotment figure with certain modifications. Effect is to push off DSH cliff.</p> <ul style="list-style-type: none"> Increases floor for extremely low DSH states for FY 2004 (to 3%) and 2005 (3% plus CPIU) Requires states to submit report identifies regarding DSH payments made to hospitals. Multiple state specific rifle shot adjustments to DSH Select urban hospital add on payments, carve out for Indiana hospital DSH cap raised to 175% 	
Legal Immigrants under Medicaid and SCHIP	No provision	Between 2005-2007, States can cover legal immigrant children or pregnant women under Medicaid and SCHIP.	/S1 \$0.5
Medicaid Total			HR1 \$3.8/S1 \$2.6
Provider Total			HR 1 (\$13.8)/S1 (\$14.6)