



## **Summary of Health Provisions in the Democrats' "Extenders" Bill (H.R. 4213)**

### **Physician Payments**

This provision would increase Medicare physician payment rates for the remainder of 2010 by 1.3% (note: given the rate freeze for the first five months of 2010, this translates to a 0.75% overall increase for the year), preventing physicians from receiving a 21 percent rate cut on June 1<sup>st</sup>. For 2011, payment rates would increase by an additional 1%. For 2012 and 2013, while no rate update is specified, physician payment rates would be prevented from being cut. Additionally, two separate spending targets (off which the annual rate updates are based) would be created: (1) GDP+2% for evaluation and management and preventive services (most often used by primary care) and (2) GDP+1% for all other physician services. This has the effect of allowing reimbursement rates for primary care services to increase at a higher level than other services. In 2014, physician payment rate would be cut by more than 30%. *CBO estimates this provision would increase the deficit by \$64.9 billion over 10 years.* Staff notes that House Republicans offered a fully paid-for "doc fix" on the House Floor in November 2009 that would have provided doctors with a 2% payment rate increase in 2010, 2011, 2012, and 2013. Unfortunately, Democrats blocked consideration of our alternative.

### **Clarifying the "3-Day Payment Window" Rule for Hospitals**

Under current law, all hospital services related to an inpatient admission are included in the bundled diagnosis-related group (DRG) payment for that admission. This provision changes the "3-day Payment Window" rule to require all therapeutic services delivered in the outpatient department, except for ambulance and dialysis services, to be billed ("bundled") as part of the inpatient hospital's DRG payment. Hospitals would be prohibited from resubmitting any past claims where therapeutic services could have been unbundled. This provision will reduce hospital spending by \$4 billion over the next 10 years. Rather than attribute these savings to deficit reduction, the Democrats direct this money into the Medicare Improvement Fund, which was zeroed out in order to partially fund their health care overhaul. *As a result, this provision has no net impact on the deficit.*

### **Extension of Hospital Wage Rate Reclassifications**

This provision would extend the "Section 508" reclassifications, which will increase their Medicare payment rates, through September 30, 2011. *This provision will increase the deficit by \$300 million over 10 years.*

### **California Physician Payments**

This provision was included in the House Democrats' health overall, but was not part of the bill that became law. Under current law, the boundaries of payment localities are determined using data that is almost 20 years old. Physicians practicing in formerly rural areas that are now categorized as being "suburban" complain about being paid less relative to long-standing

suburban areas. This provision would provide a special fix for the state of California only, creating new geographic areas for payment purposes, increase Medicare payments in certain areas through 2016. Other states have similar formerly-rural-now-suburban areas that are not included in this change. *This provision would increase the deficit by \$300 million over 10 years.*

### **Funding for Claims Reprocessing**

The new health law, enacted on March 23, 2010, retroactively extended certain Medicare payment policies for calendar year 2010, requiring the Centers for Medicare and Medicaid Services (CMS) to reprocess Medicare claims back to January 1, 2010. The Democrats knowingly missed payment policy extension deadlines for services performed in physician offices and outpatient therapy services (among others). The bill would provide \$175 million in taxpayer money for CMS to reprocess these claims, which had already been paid but at a different rate, because of the repeated missed deadlines. *This provision would increase the deficit by \$175 million over 10 years.*

### **Anti-Fraud Efforts: IRS-HHS Data Sharing**

This provision would allow the IRS to share taxpayer data with HHS employees to help screen and identify fraudulent providers or providers with tax debts. It would also help recover such debts and block providers who are delinquent in paying their federal taxes from enrolling in Medicare. *This provision would raise \$425 million over 10 years.*

### **Part B Enrollment for TRICARE Beneficiaries**

TRICARE beneficiaries who are eligible for Medicare are required to enroll in Medicare to retain their TRICARE eligibility. The Democrats' health law created a new 12-month special Medicare Part B enrollment period (SEP) for those who had previously declined Part B coverage during their initial enrollment period (IEP). Such coverage begins at either the first day of the month in which the beneficiary enrolls in Part B or the first month after the IEP. This provision addresses uncertainty in the Democrats' new health law by clarifying the SEP policy became effective on the day the health law was enacted. *This provision is estimated to increase the deficit \$3 million over 10 years.*

### **Repeal of Cost-Based Rural Clinical Lab Payments**

The new health law reinstated cost-based payments for lab services at certain small hospitals for one-year beginning July 1, 2010. This provision repeals this policy. *This provision has no cost.*

### **Repealing Skilled Nursing Facility (SNF) Payment Delay**

This provision would repeal a one-year delay of the implementation of an updated SNF payment system ("RUG-IV"). This delay was included in the Democrat's health overhaul at the request of the SNF industry, who has now determined that such a delay would not be helpful. *This provision does not impact the deficit.*

### **No Copayment for Preventive Services Received at Federally Qualified Health Centers (FQHCs)**

Under current law, there is no Part B deductible for services that a Medicare beneficiary receives at a FQHC. However, a Medicare beneficiary must pay 20% of most billed charges,

including preventive services, delivered in these facilities. The Democrats' health overhaul waived Medicare Part B cost sharing and deductibles for preventive services, but did not apply this waiver to preventive services received at FQHCs. This provision would waive Part B coinsurance for preventive services Medicare beneficiaries receive at FQHCs. *This provision does not impact the deficit.*

## **OTHER HEALTH PROVISIONS**

### **Extension of COBRA Subsidy Eligibility**

This provision would extend the eligibility period for the 15-month, 65% COBRA premium subsidy, which was created in the Stimulus bill, through December 31, 2010. Eligibility would have otherwise expired June 1<sup>st</sup>. *This provision would increase the deficit by \$7.8 billion over 10 years.*

## **KEY HEALTH PROVISIONS OUTSIDE OF THE COMMITTEE'S JURISDICTION**

### **Medicaid Payments to States**

The increase to the Federal Medicaid Matching Rate (FMAP) to States, which was included in the Stimulus bill, is set to expire at the end of his year. The bill would extend these increases for 6 months, through June 30, 2011. *The provision would increase the deficit by \$24 billion over 10 years.*

### **340B Drug Pricing Program**

The 340B program requires drug manufacturers to provide some hospitals (including certain public hospitals, critical access hospitals, children's hospitals, and cancer hospitals) and other entities (such as qualifying federal health centers and federal grantees) that treat low-income and uninsured patients with government-mandated discounts (a.k.a. "price controls"). These price controls ensure that the 340B entities' cost to purchase outpatient drugs does not exceed the Medicaid reimbursement for the same drug. The bill would extend these price controls to inpatient drugs used by uninsured patients and to insured patients who do not have prescription drug coverage. The bill would also reverse a provision in the Democrats' health overhaul which explicitly excluded children's hospitals from receiving 340B pricing for orphan drugs. *CBO predicts this provision will increase the deficit by \$35 million over 10 years due to increased federal Medicaid spending resulting from pharmaceutical manufacturers providing less generous discounts.*