

111TH CONGRESS
1ST SESSION

H. R. 3074

To amend title XVIII of the Social Security Act to create a value indexing mechanism for the physician work component of the Medicare physician hospital service and for inpatient hospital services.

IN THE HOUSE OF REPRESENTATIVES

JUNE 26, 2009

Mr. ELLISON introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend title XVIII of the Social Security Act to create a value indexing mechanism for the physician work component of the Medicare physician hospital service and for inpatient hospital services.

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 “Medicare Payment
5 Fairness Act of 2009”.

1 **SEC. 2. VALUE INDEX UNDER THE MEDICARE PHYSICIAN**
2 **HOSPITAL SERVICE.**

3 (a) IN GENERAL.—Section 1848(e)(5) of the Social
4 Security Act (42 U.S.C. 1395w–4(e)) is amended by add-
5 ing at the end the following new paragraph:

6 “(6) VALUE INDEX.—

7 “(A) IN GENERAL.—The Secretary shall
8 determine a value index for each fee schedule
9 area. The value index shall be the ratio of the
10 quality component under subparagraph (B) to
11 the cost component under subparagraph (C) for
12 that fee schedule area.

13 “(B) QUALITY COMPONENT.—

14 “(i) IN GENERAL.—The quality com-
15 ponent shall be based on a composite score
16 that reflects quality measures available on
17 a State or fee schedule area basis. The
18 measures shall reflect health outcomes and
19 health status for the Medicare population,
20 patient safety, and patient satisfaction.
21 The Secretary shall use the best data
22 available, after consultation with the Agen-
23 cy for Healthcare Research and Quality
24 and with private entities that compile qual-
25 ity data.

1 “(ii) REQUIREMENT.—In establishing
2 the quality component under this subpara-
3 graph, the Secretary shall take into ac-
4 count the following:

5 “(I) Hospital readmission rates.

6 “(II) Hospital emergency depart-
7 ment utilization for ambulatory care-
8 sensitive conditions.

9 “(III) Hospital admissions for
10 ambulatory care-sensitive conditions.

11 “(IV) Mortality amenable to
12 health care.

13 “(V) Other items determined ap-
14 propriate by the Secretary.

15 “(iii) ESTABLISHMENT.—The quality
16 component for each fee schedule area shall
17 be the ratio of the quality score for such
18 area to the national average quality score.

19 “(iv) APPLICATION.—In the case of a
20 fee schedule area that is less than an en-
21 tire State, if available quality data is not
22 sufficient to measure quality at the sub-
23 State level, the quality component for a
24 sub-State fee schedule area shall be the
25 quality component for the entire State.

1 “(C) COST COMPONENT.—

2 “(i) IN GENERAL.—The cost compo-
 3 nent shall be total annual per beneficiary
 4 Medicare expenditures under part A and
 5 this part for the fee schedule area. The
 6 Secretary may use total per beneficiary ex-
 7 penditures under such parts in the last two
 8 years of life as an alternative measure if
 9 the Secretary determines that such meas-
 10 ure better takes into account severity dif-
 11 ferences among fee schedule areas.

12 “(ii) ESTABLISHMENT.—The cost
 13 component for a fee schedule area shall be
 14 the ratio of the cost per beneficiary for
 15 such area to the national average cost per
 16 beneficiary.”.

17 (b) CONFORMING AMENDMENTS.—Section 1848 of
 18 the Social Security Act (42 U.S.C. 1395w-4) is amend-
 19 ed—

20 (1) in subparagraph (b)(1)(C), by striking “ge-
 21 ographic” and inserting “geographic and value”; and

22 (2) in subsection (e)—

23 (A) in paragraph (1)—

24 (i) in the heading, by inserting “AND
 25 VALUE” after “GEOGRAPHIC”;

1 (ii) in subparagraph (A), by striking
2 clause (iii) and inserting the following new
3 clause:

4 “(iii) a value index (as defined in
5 paragraph (6)) applicable to physician
6 work.”;

7 (iii) in subparagraph (C), by inserting
8 “and value” after “geographic” in the first
9 sentence;

10 (iv) in subparagraph (D), by striking
11 “physician work effort” and inserting
12 “value”;

13 (v) by striking subparagraph (E); and

14 (vi) by striking subparagraph (G);

15 (B) by striking paragraph (2) and insert-
16 ing the following new paragraph:

17 “(2) COMPUTATION OF GEOGRAPHIC AND
18 VALUE ADJUSTMENT FACTOR.—For purposes of sub-
19 section (b)(1)(C), for all physicians’ services for each
20 fee schedule area the Secretary shall establish a geo-
21 graphic and value adjustment factor equal to the
22 sum of the geographic cost-of-practice adjustment
23 factor (specified in paragraph (3)), the geographic
24 malpractice adjustment factor (specified in para-
25 graph (4)), and the value adjustment factor (speci-

1 fied in paragraph (5)) for the service and the area.”;
2 and

3 (C) by striking paragraph (5) and insert-
4 ing the following new paragraph:

5 “(5) PHYSICIAN WORK VALUE ADJUSTMENT
6 FACTOR.—For purposes of paragraph (2), the ‘phy-
7 sician work value adjustment factor’ for a service for
8 a fee schedule area, is the product of—

9 “(A) the proportion of the total relative
10 value for the service that reflects the relative
11 value units for the work component; and

12 “(B) the value index score for the area,
13 based on the value index established under
14 paragraph (6).”.

15 (c) AVAILABILITY OF QUALITY COMPONENT PRIOR
16 TO IMPLEMENTATION.—The Secretary of Health and
17 Human Services shall make the quality component de-
18 scribed in section 1848(c)(6)(B) of the Social Security
19 Act, as added by subsection (a), for each fee schedule area
20 available to the public by not later than January 1, 2011.

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to the Medicare physician hospital
23 service for 2012 and each subsequent year.

1 **SEC. 3. VALUE INDEX UNDER THE INPATIENT HOSPITAL**
2 **PROSPECTIVE PAYMENT SYSTEM.**

3 (a) IN GENERAL.—Section 1886(d) of the Social Se-
4 curity Act (42 U.S.C. 1395ww(d)) is amended by adding
5 at the end the following new paragraph:

6 “(14) VALUE INDEX.—

7 “(A) IN GENERAL.—The Secretary shall
8 determine a value index for each hospital serv-
9 ice area. The value index shall be the ratio of
10 the quality component under subparagraph (C)
11 to the cost component under subparagraph (D)
12 for that hospital service area.

13 “(B) PAYMENT ADJUSTMENT.—Notwith-
14 standing any other provision of this title, the
15 payment amount made to a subsection (d) hos-
16 pital under this subsection or section
17 1814(b)(3) for discharges during a fiscal year,
18 after all other adjustments and add-ons effected
19 under this title, shall be adjusted by multiplying
20 such amount by the value index determined
21 under subparagraph (A) for the hospital service
22 area in which the discharges occur.

23 “(C) QUALITY COMPONENT.—

24 “(i) IN GENERAL.—The quality com-
25 ponent shall be based on a composite score
26 that reflects quality measures available on

1 a State or hospital service area basis. The
2 measures shall reflect health outcomes and
3 health status for the Medicare population,
4 patient safety, and patient satisfaction.
5 The Secretary shall use the best data
6 available, after consultation with the Agen-
7 cy for Healthcare Research and Quality
8 and with private entities that compile qual-
9 ity data.

10 “(ii) REQUIREMENT.—In establishing
11 the quality component under this subpara-
12 graph, the Secretary shall take into ac-
13 count quality measures reported by hos-
14 pitals under subsection (b)(3)(B)(viii)(III)
15 and shall, to the extent feasible, add addi-
16 tional measures relating to outcomes in
17 hospitals.

18 “(iii) ESTABLISHMENT.—The quality
19 component for each hospital service area
20 shall be the ratio of the quality score for
21 such area to the national average quality
22 score.

23 “(iv) APPLICATION.—In the case of a
24 hospital service area that is less than an
25 entire State, if available quality data is not

1 sufficient to measure quality at the sub-
2 State level, the quality component for a
3 sub-State hospital service area shall be the
4 quality component for the entire State.

5 “(D) COST COMPONENT.—

6 “(i) IN GENERAL.—The cost compo-
7 nent shall be total annual per beneficiary
8 Medicare expenditures under parts A and
9 B for the hospital service area. The Sec-
10 retary may use total per beneficiary ex-
11 penditures under such parts in the last two
12 years of life as an alternative measure if
13 the Secretary determines that such meas-
14 ure better takes into account severity dif-
15 ferences among hospital service areas.

16 “(ii) ESTABLISHMENT.—The cost
17 component for a hospital service area shall
18 be the ratio of the cost per beneficiary for
19 such area to the national average cost per
20 beneficiary.

21 “(E) HOSPITAL SERVICE AREA.—In this
22 paragraph, the term ‘hospital service area’
23 means such an area as the Secretary shall de-
24 fine. In defining such areas, the Secretary shall
25 use a methodology similar to that used in the

1 establishment of the Dartmouth Atlas of Health
2 Care.”.

3 (b) AVAILABILITY OF QUALITY COMPONENT PRIOR
4 TO IMPLEMENTATION.—The Secretary of Health and
5 Human Services shall make the quality component de-
6 scribed in section 1886(d)(14)(B) of the Social Security
7 Act, as added by subsection (a), for each hospital service
8 area available to the public by not later than January 1,
9 2011.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to the discharges occurring on or
12 after October 1, 2012.

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