

## **Rural Provisions of S. 1. The Prescription Drug and Medicare Improvement Act of 2003**

### **Section 401. Equalizing Urban and Rural Standardized Payment Amounts Under the Medicare Inpatient Hospital Prospective Payment System.**

#### *Explanation of Provision*

Beginning for discharges in FY2005, the Secretary would compute a standardized amount equal to that for hospitals in large urban areas to pay hospitals in any area within the United States.

### **Section 402. Adjustment to the Medicare Inpatient Hospital PPS Wage Index to Revise the Labor-Related Share of Such Index.**

#### *Explanation of Provision*

For cost reporting periods beginning on or after October 1, 2004, the Secretary would be required to decrease the labor-related share to 62% of the standardized amount only if such change would result in higher total payments to the hospital. This provision would be applied without regard to certain budget-neutrality requirements.

### **Section 403. Medicare Inpatient Hospital Payment Adjustment for Low-Volume Hospitals.**

#### *Explanation of Provision*

The provision would require the Secretary to develop a graduated adjustment to Medicare's inpatient payment rates to account for the higher unit costs associated with low-volume hospitals. Certain hospitals with fewer than 2,000 total discharges during the 3 most recent cost reporting periods would be eligible for up to a 25% increase in their Medicare payment amount starting for FY2005 cost reporting periods. Eligible hospitals would be located at least 15 miles from a similar hospital or those determined by the Secretary to be so located due to factors such as weather conditions, travel conditions, or travel time to the nearest alternative source of appropriate inpatient care. Certain budget-neutrality requirements would not apply to this provision.

### **Section 404. Fairness in the Medicare Disproportionate Share Hospital (DSH) Adjustment for Rural Hospitals.**

#### *Explanation of Provision*

Starting for discharges after October 1, 2004, a hospital that qualifies for a DSH adjustment when its DSH patient percentage exceeds the 15% DSH threshold would receive the DSH payments using the current formula that establishes the DSH adjustment for a large urban hospital. A Pickle hospital receiving a DSH adjustment under the alternative formula would not be affected.

#### **Section 405. Critical Access Hospital (CAH) Improvements.**

##### **(a) Permitting Hospitals to Allocate Swing Beds and Acute Care Inpatient Beds Subject to a Total Limit of 25 Beds.**

###### *Explanation of Provision*

A CAH would be able to operate up to 25 swing beds or acute care beds. The requirement that only 15 of the 25 beds be used for acute care at any time would be dropped.

##### **(b) Elimination of the Isolation Test for Cost-Based CAH Ambulance Services.**

###### *Explanation of Provision*

The provision would drop the requirement that the CAH or the related entity be the only ambulance provider within a 35-mile drive in order to receive reasonable cost reimbursement for the ambulance services.

##### **(c) Coverage of Costs For Certain Emergency Room On-Call Providers.**

###### *Explanation of Provision*

The provision would expand reimbursement of on-call emergency room providers to include physician assistants, nurse practitioners, and clinical nurse specialists as well as emergency room physicians for covered Medicare services provided on or after January 1, 2004.

##### **(d) Authorization of Periodic Interim Payment (PIP).**

###### *Explanation of Provision*

Starting with payments made on or after January 1, 2004, an eligible CAH would be able to receive payments made on a PIP basis for inpatient services.

##### **(e) Exclusion of New CAHs from PPS Hospital Wage Index Calculation .**

###### *Explanation of Provision*

The Secretary would be required to exclude wage data from hospitals that have converted to CAHs from the PPS wage index calculation starting for cost reporting periods on or after January 1, 2004.

**(f) Provisions Related to Certain Rural Grants.**

*Explanation of Provision*

The provision would permit the Secretary to award grants under the Small Rural Hospital Improvement Program to hospitals that have submitted applications to assist eligible small rural hospitals in reducing medical errors, increasing patient safety, protecting patient privacy, and improving hospital quality. These grants would not exceed \$50,000 and would be able to be used to purchase computer software and hardware, educate and train hospital staff, and obtain technical assistance. The provision would authorize appropriations of \$40 million each year from FY2004 through FY2008 from the Federal Hospital Insurance Trust Fund for grants to States for specified purposes. States that are awarded grants would be required consult with the hospital association and rural hospitals in the state on the most appropriate way to use such funds. The provision would also authorize \$25 million each year from FY2004 through FY2008 for the Small Rural Hospital Improvement Program. This amount would be appropriated from amounts in the treasury not otherwise appropriated.

**Section 411. Establishment of Floor on Geographic Adjustments of Payment for Physicians' Services.**

*Explanation of Provision*

For services furnished after January 1, 2004, the Secretary would be required to increase the value of any work geographic index that is below .980 to .980. For services furnished after January 1, 2005, the values for work, practice expense and malpractice geographic indices in low value localities areas would be raised to 1.00 until 2007. The increase in expenditures resulting from the implementation of these floors would not be taken into account when applying the budget-neutrality requirement.

**Section 412. Medicare Incentive Payment Program Improvements.**

*Explanation of Provision*

The Secretary would be required to establish procedures to determine when the physician is eligible for a bonus payment. The Secretary would also be required to (1) establish an ongoing program to educate physicians about the incentive program; (2) establish an ongoing study of the incentive program to determine whether beneficiaries'

access to physician's services within the HPSA has improved; and (3) submit annual reports including appropriate recommendations for necessary administrative or legislative action concerning improvements to the program.

**Section 413. Increase in Renal Dialysis Composite Rate For Services Furnished in 2003 and 2004.**

*Explanation of Provision*

The composite rate would be increased by 1.6% for services furnished in 2004 and 2005.

**Section 414. Extension of Hold Harmless Provision for Small Rural Hospitals; Treatment of Certain Sole Community Hospitals to Limit Decline in Payment Under the OPD PPS; Interim Payments and Study for Covered OPD Drugs and Biologics.**

*Explanation of Provision*

The hold harmless provisions governing OPD reimbursement for small rural hospitals would be extended to January 1, 2006. These hold harmless provisions would be extended to sole community hospitals located in rural areas for services provided after January 1, 2004 and before January 1, 2006.

**Section 415. Increase in Payments for Certain Services Furnished by Small Rural Hospitals Under Medicare Prospective Payment System for Hospital Outpatient Department Services.**

*Explanation of Provision.*

The provision would increase Medicare payments for covered outpatient clinic and emergency room visits that are provided by rural hospitals with up to 100 beds on or after January 1, 2004 and before January 1, 2007. Applicable Medicare outpatient fee schedule amounts would be increased up by 5%. The beneficiary copayment amounts for these services would not be affected. The resulting increase in Medicare payments would not be considered as PPS payments when calculating whether a rural hospital's PPS payments are less than its pre-BBA payment amounts under the temporary hold harmless provisions. Also, the budget-neutrality provisions for Medicare's outpatient PPS would not be applicable. Finally, these increased payments would not affect Medicare payments for covered outpatient services after January 1, 2007.

**Section 416. Increase for Ground Ambulance Services Furnished in a Rural Area.**

*Explanation of Provision*

The payments for ground ambulance services originating in a rural area or a rural census tract would be increased by 5% for services furnished on or after January 1, 2004 through December 31, 2006. These increased payments would not affect Medicare payments for covered ambulance services in subsequent periods.

**Section 417. Ensuring Appropriate Coverage of Air Ambulance**

## **Services under Ambulance Fee Schedule.**

### *Explanation of Provision*

The regulations governing ambulance services would be required to ensure that air ambulance services be reimbursed if: (1) the air ambulance service is medically necessary based on the health condition of the patient being transported at or immediately prior to the time of the transport service; and (2) the air ambulance service complies with the equipment and crew requirements established by the Secretary. An air ambulance service would be considered medically necessary when requested: (1) by a physician or hospital in accordance with their responsibilities under the Emergency Medical Treatment and Active Labor Act; (2) as a result of a protocol established by a state or regional emergency medical service agency; (3) by a physician, nurse practitioner, physician assistant, registered nurse, or emergency medical responder who reasonably determines or certifies that patient's condition is such that the time involved in land transport significantly increases the patient's medical risks; or (4) by a Federal or State agency to relocate patients following a natural disaster, an act of war, or a terrorist act. Air ambulance services would be defined as a fixed wing or rotary wing air ambulance services.

## **Section 418. Treatment of Certain Clinical Diagnostic Laboratory Tests Furnished By a Sole Community Hospital.**

### *Explanation of Provision*

SCHs that provide clinical diagnostic laboratory tests covered under Part B in 2004 and 2005 would be reimbursed their reasonable costs of furnishing the tests.

## **Section 419. Improvement in Rural Health Clinic Reimbursement Under Medicare.**

### *Explanation of Provision*

The RHC upper payment would be increased to \$80.00 for calendar year 2004. The MEI applicable to primary care services would be used to increase the payment limit in subsequent years.

## **Section 420. Elimination of Consolidated Billing for Certain Services Under the Medicare PPS for Skilled Nursing Facility Services.**

### *Explanation of Provision*

Services provided by a rural health clinic (RHCs) and a federally qualified health center (FQHC) after January 1, 2004 would be excluded from SNF-PPS if such services would have been excluded if furnished by a physician or practitioner who was not affiliated with a RHC or FQHC. Outpatient services that are beyond the general scope of SNF comprehensive care plans that are provided by an entity that is 100% owned as a joint venture by two Medicare-participating hospitals or critical access hospitals would be excluded from the SNF-PPS.